مكتبة الأهرام

Austria ... Sch 18	Indonesia .. Rp 2500	Portugal ... Esc 90
Bahrain ... Din 0.650	Italy ... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 42	Japan ... Y550	Singapore .. S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark ... DKr 7.25	Lebanon ... L£ 8.00	Sweden ... SKr 8.50
Egypt ... E£1.00	Luxembourg .. LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,798 Friday December 6 1985 D 8523 B

Nicaragua's arms race heats up, Page 4

World news

EEC sets limit on workplace noise

New limits on noise levels in factories and other workplaces are to be enforced throughout the EEC, after an agreement in Brussels which is likely to cover up to 15m workers.

The rules require employers in the noisiest plants to do "all that is reasonably practicable to reduce the level of exposure to noise."

An average level of 85 decibels – about the level heard by passengers in subway trains – means that employers will have to provide ear protectors for workers who want them, as well as information and training on how to cope with the problem. If the level rises to 90 decibels, employers are required to take action to combat the noise, and wearing ear protectors becomes compulsory.

Fälldin ousted

Former Swedish Prime Minister Thorbjörn Fälldin has been forced out of his post as leader of the Centre Party, in the wake of a disastrous performance in the Swedish general election in September. Page 3

Walesa summoned

Lech Walesa, leader of Poland's banned Solidarity trade union, was called to the prosecutor's office in Gdansk and asked to read a 1,000-page official report of investigations into accusations that he slandered electoral officials.

Abbas 'spurns' terror

Palestine Liberation Front leader Abu Abbas, accused of masterminding the Achille Lauro liner hijacking last month, said in an interview that he was opposed to terrorism and described fighting Israel as a "holy confrontation."

Union leader sacked

Tunisia's main trade union has sacked its veteran leader Habib Achour after government moves to defuse the country's labour crisis, the union's new chief, Sadok Allouche, said.

Record expenses

Japanese companies spent a record Y3,620bn ($17.8bn) last year on business entertainment expenses, according to a National Tax Agency report.

Flights cancelled

Iberia, Spain's national airline, said it would cancel six European and 21 domestic flights today because of a strike by maintenance mechanics.

French pilot held

An Air France co-pilot was arrested on charges of trying to smuggle heroin with a street value of $1.9m into France after a flight from Bombay.

Slippery slopes

Skiers who shunned pre-season exercise, drank alcohol and revelled into the early morning suffered fewer injuries than more conscientious people, in a study of 1,000 skiers carried out by a team of Dutch scientists.

£105,000 wine

A bottle of Chateau Lafite 1787 claret sold at Christie's auction rooms in London for record £105,000 ($155,000). The amount paid for the bottle – engraved with the initials of Thomas Jefferson, third President of the US – broke previous records eight times over. Page 21

Briefly...

Britain confirmed that it was withdrawing from Unesco. Page 24

White House spokesman Larry Speakes predicted that President Reagan would veto a Bill imposing strict quotas on textiles and shoe imports.

The US and Britain conducted an underground nuclear test in the Nevada desert.

Business summary

Texaco calls for limit on damages

TEXACO, ordered to pay Pennzoil $10.5bn after its takeover of Getty Oil, argued in a Texas court that any damages that might eventually be awarded should be no higher than $500m. Page 24

HONG KONG's third harbour crossing is to be built by a consortium led by Kumagai Gumi of Japan. The contract, worth HK$3bn (US$384m) will be one of Asia's largest civil engineering projects. Page 24

WALL STREET: The Dow Jones industrial average closed down 1.49 at 1,482.91. Page 48

LONDON prices continued to fall but leaders staged a late rally. The FT Ordinary share index fell 5.4 to 1,110.4 and the FT-SE 100 ended 4.3 lower at 1,395.3. Page 48

TOKYO: Blue chips and biotechnology issues were popular boosting prices higher. The Nikkei average gained 52.91 to 12,864.11. Page 48

DOLLAR was on the whole firmer in London, rising to FFr 7.685 (FFr 7.6825), SFr 2.0955 (SFr 2.095) and Y203.0 (Y 202.6). It was unchanged at DM 2.519. On Bank of England figures the dollar's index rose to 127.1 from 126.7.

STERLING lost 65 points against the dollar in London to $1.48. It also fell to DM 3.7275 (DM 3.745), FFr 11.375 (FFr 11.42), SFr 3.1025 (SFr 3.115) and Y300.5 (Y301.25). The pound's exchange rate index fell to 81.0 from 81.2. Page 43

GOLD fell $0.75 on the London bullion market to $322.75 and lost $1.70 in Zurich, also to $322.75. In New York the February Comex settlement was $326.90. Page 42

SOUTH AFRICA is expected to announce a formal extension of the four-month standstill on capital repayment of debt. Page 6

CHEVRON, US oil company, is to pay $44m to the Irish Government to free the group from a deal it signed last February to rebuild the Whiddy Island oil terminal, destroyed by a tanker explosion in 1979 with the loss of 50 lives.

LAURA ASHLEY, UK fashion and design group, saw its shares exceed expectations by going to a 59p premium when dealing opened on the London Stock Exchange. They closed 53p up at 188p. Page 30

HANSON TRUST lifted full-year taxable profits from £169.1m ($250.6m) to a record £252.8m, surpassing forecasts. Page 30; Lex, Page 25

DEE CORPORATION, UK retail group, reported pre-tax profits of £41.05m ($61m) for the 28 weeks to November 9, against £27.52m. Page 30; Lex, Page 24

BASS, Britain's biggest brewer, raised pre-tax profits 17 per cent to £255.1m ($379.9m) in 1984-85. Page 30; Lex, Page 24

SABCA, Belgian aerospace group and partner in the US F-16 fighter aircraft co-production programme, has won a contract to maintain and repair the US cruise nuclear missiles being deployed in Europe. The contract is said to be worth $10m over three years.

VIAG, West German state-owned chemicals, energy and aluminium group, confirmed it would offer DM 232m ($92.8m) – or 40 per cent – of its DM 580m nominal capital next June to private shareholders. Page 25

CLUB Méditerranée, French tourist operator, is joining forces in the holiday-letting sector with Compagnie Internationale des Wagons-Lits, Belgian leisure activities and rail transport company. Page 25

INTERNATIONAL Tin Council adjourned its emergency meeting on the market's crisis until next Tuesday. Page 42

WE REGRET New York prices were not available for this edition because of computer problems.

Why Friedrich Karl Flick is throwing in the towel

FOR as long as most people can recall, the Flick family has been good for a (not invariably pleasant) surprise, **writes Jonathan Carr in Frankfurt.**

Friedrich Karl Flick senior, iron-willed founder of the industrial group which bears his name, set the pattern. There was, for example, that memorable day in 1955 when he stunned the Daimler-Benz annual meeting by calmly announcing that he had acquired 40 per cent of the vehicles concern.

His son FKF junior (as he is known at Flick's Düsseldorf headquarters) caused a far greater stir with his "open letter to business friends" on Wednesday saying he was selling off almost the whole group. Even excluding its big minority interests the Flick concern earned a net profit last year of DM 206m ($81.8m) on sales of DM 10.5bn and employed more than 43,000 people. That put it just behind AEG as West Germany's 28th largest company in terms of turnover.

Flick's sale, initially to the Deutsche Bank, which plans to pass on the acquisition soon to a broad circle of investors, is being valued at around DM 5bn, although this may turn out to be a low estimate. At any rate, the deal looks set to be the biggest of its kind in West German history. The key question is, why is FKF junior giving up the house his father built?

The immediate conclusion likely to be widely drawn is that Mr Flick, aged 58, has become sick of – and perhaps demoralised by – negative publicity over the years. The name of Flick has become firmly associated in many minds not so much with diversified industrial activities, ranging from chemicals to weaponry, as with Germany's worst postwar political pay-offs scandal.

The "Flick affair" has already claimed several prominent victims and may well involve more. At present, two former economics ministers, Count Otto Lambsdorff and Mr Hans Friderichs, are defending themselves in a Bonn court against charges that they gave Flick tax concessions in return for payment to benefit their liberal Free Democrat Party (FDP). But all main parties are involved in the scandal and Mr Flick is often described in the press as an "ugly entrepreneur" or as displaying "the unacceptable face of capitalism."

On the the face of it, that might seem cause enough for him finally to throw in the towel and retire. But Mr Flick has constantly rejected the notion that he has been involved in wrongdoing and has shown no signs at all of losing his nerve. He is a shy man, hates big gatherings – and looked particularly pained as he faced the flashing camera lights on his appearances before the parliamentary inquiry into the "Flick affair."

He stuck to his guns under questioning, stressing that it was the duty of companies to help to support political parties and, to the fury of the critics, said Flick would continue to do so.

Another reason advanced for the sale is that Mr Flick is stepping down in disappointment, realising at last that he has been unable to fill his father's shoes. Superficially this argument has some attraction too, for FKF senior was an entrepreneur of genius. He twice built himself an empire, once after the First World War and then again after the second. He even managed to turn the demands of the occupying allies to his advantage, using the funds from the compulsory sale of his mining interests in the early 1950s to buy into Daimler-Benz. He

Continued on Page 24

Britain yields on EEC-US steel pact

By Ian Rodger in London

THE RISK of a steel crisis was averted yesterday when the UK Government agreed to ratify a four-year EEC-US steel trade agreement.

Britain had been holding up ratification, to the consternation of the other nine EEC governments, because the US had threatened to impose new limits on imports of semi-finished steel.

These products, not included in the overall agreement, were of special concern to the UK because the state-owned British Steel Corporation (BSC) entered a long-term contract earlier this year to supply semi-finished steel to a new steelmaker in Alabama, Tuscaloosa Steel. BSC also bought a small equity stake in Tuscaloosa.

The change in the British Government's position came after informal assurances from the US Government that the BSC – Tuscaloosa contract could almost certainly be honoured despite the import limits.

Dr Clayton Yeutter, the US Trade Representative, said that there was provision in the agreement for relief from quotas if the product in question was in short supply in the US.

"My judgment is that it will probably take care of the case in question. There had to be a bit of compromise on both sides," Mr Yeutter said, adding that the assurances had to be taken on trust. "But that is the art of negotiation."

The UK Government said it was "pleased that the problem has now been resolved," but added that details were commercially confidential.

BSC's contract with Tuscaloosa provides for the supply of 250,000 tonnes a year of steel slabs, rising to 600,000 tonnes by 1989.

The problem with the contract arose when the US Government said during negotiations on the overall steel trade agreement that it would impose import curbs if shipments of semi-finished steel from the continental EEC countries rose above 400,000 tonnes a year, plus 200,000 tonnes from the UK.

BSC and Tuscaloosa were prepared to accept the 200,000 tonne figure for next year, when the new $75m rolling mill will be in a start-up phase, but they wanted assurances for additional tonnage from 1987 onwards.

● The US is considering including textile imports from the EEC in the quota provisions of the Multi-Fibre Arrangement when it is renegotiated, AP reports from Washington.

At present, in contrast to most other suppliers, EEC countries are allowed to ship textiles and clothing freely to the US.

Prices plunge as Singapore and Malaysian markets reopen

BY CHRIS SHERWELL IN SINGAPORE AND WONG SULONG IN KUALA LUMPUR

SHARE PRICES plunged on the Singapore and Kuala Lumpur stock exchanges yesterday when the two linked markets, Asia's largest after Tokyo and Hong Kong, reopened after an unprecedented three-day suspension of trading.

In Singapore, the OCBC index of 55 stocks – the broadest guide to market performance – fell 61.85 points to a 5½ year low of 451.91 in busy dealings.

The more widely watched Straits Times index of 30 top industrial stocks fell 82.77 to 609.54, while its counterpart, the Kuala Lumpur Stock Exchange index, suffered its heaviest one-day fall down 37.36 points.

Many analysts had expected the decline to be even sharper than the average fall of about 12 per cent, although most agreed that yesterday was a "bloodbath." They differed on whether the shakeout was at an end.

Trading had been resumed after big banks in the two centres were persuaded to establish standby credit in order to ensure that all stockbrokers' obligations were met. The closure was ordered last weekend because of fears of a chain of defaults after the decision to place in receivership Pan-Electric Industries, a quoted Singapore group.

Pan-Electric, a marine salvage, hotel and property company, collapsed because it was unable to meet commitments to purchase S$140m ($65.7m) worth of shares in Grand United Holdings and Supreme Corporation, two Malaysian companies controlled by Mr Tan Koon Swan, a Malaysian entrepreneur.

The affair has threatened to hurt Mr Tan, who recently won the leadership of the country's main Chinese political party.

A powerful group of Malaysian Chinese businessmen announced last night that they were considering participation in the management and equity of Grand United, Mr Tan's flagship company.

The planned participation would be made by the Association of Chinese Chambers of Commerce and Industry through its investment arm, known as Unico. Mr Tan said he would still retain a stake in Grand United and Supreme.

Opposition political parties in both Malaysia and Singapore have called for an explanation of the Pan-Electric affair, which has convulsed the financial community in the two capitals. The Singapore Workers Party, which has the island state's only opposition member of parliament, said confidence in the country had been "gravely impaired."

In other developments yesterday:

● Trading in the shares of Grand

Continued on Page 24

After the clean-up, Page 22; Stock market reports, Page 48

Yeutter says $ must fall further

By Quentin Peel in Brussels

A FURTHER 10 per cent decline in the value of the dollar would help to stabilise the US trade deficit, which is expected to peak at $150bn this year, Dr Clayton Yeutter, the US special trade representative, said yesterday.

He warned, however, that the fall in the dollar was unlikely to have an "appreciable" effect on the trade deficit until 1987, and that the 1985 figures would generate "tremendous support for protectionism" in the US.

In a wide-ranging satellite press conference, Dr Yeutter underlined the aggressive direction of US trade policy, while insisting that the Reagan Administration would still try to resist the most extreme protectionist pressures from the Congress.

He warned the Japanese Government against taking measures to cushion its exporters hit by the rising value of the yen, and expressed disappointment with the market-opening efforts already made by Tokyo.

Dr Yeutter said that US trade policy was more aggressive than it had been in the past, a change that was "long overdue." He expressed disappointment that the General Agreement on Tariffs and Trade (Gatt) had not provided greater leadership in removing trade restrictions.

Dr Yeutter welcomed the decline of some 20 per cent in the value of the dollar from its peak as "an excellent move in the right direction" that was "already beginning to have an effect on economic relationships.

"We probably ought to have the dollar come down at least another 10 per cent, or maybe a little bit more," he added.

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UK to talk with Canberra over N-site clean-up

BY MICHAEL THOMPSON-NOEL IN CANBERRA AND ROBERT MAUTHNER IN LONDON

THE BRITISH Government yesterday agreed to talks with Australia on the recommendations of a Royal Commission report calling on the UK to pay for cleaning sites used for British nuclear tests in Australia over a 12-year period from 1952.

The UK Government's reaction came only hours after publication of the hard-hitting three-volume report, which was critical of both the British and Australian governments' involvement in the test programme.

The first official British reaction to the report came from Mr Norman Lamont, junior minister at the Defence Ministry, who said he welcomed it. "We shall, of course, study it carefully in detail."

Mr Lamont said that he had accepted the proposal by Sen Gareth Evans, the Australian Minister for Resources and Energy, for "preliminary discussions between officials on certain of the recommendations." They would open in Canberra as soon as possible.

It is clear, however, Britain will approach the issue of compensation, which could run into millions of pounds, with great caution. Any agreement to pay compensation to Australia could make the UK Government vulnerable to claims for damage to health from former British servicemen who took part in the tests.

It also remains to be seen to what extent Britain is legally liable to pay compensation, given a 1978 agreement between the two countries which was aimed at absolving Britain from any further liability for damage caused by the tests in the Maralinga region.

The report also said that Canberra should pay compensation to the traditional aboriginal owners of the Maralinga lands in South Australia.

The commission, which was presided over by Mr James McClelland, a former judge and former Labor Party Minister, was set up in July 1984 at the request of the Australian Government, after allegations that both military personnel and aborigines had become ill after being exposed to radiation.

Five significant radiological and toxic hazards remain at the Maralinga and Emu test sites, the report claimed. They consist of plutonium fragments and contamination, buried plutonium, uranium and beryllium contamination and unacceptable radiation levels at some of the test sites.

Sen Evans said the Australian Government would give "careful but urgent" consideration to the report before proposing action. It would announce its detailed response to all the recommendations as soon as possible.

The report, which contains 10,000 pages of evidence from 400 witnesses at hearings both in Australia and Britain, rejected reports that four aborigines had been found dead in Maralinga. But it added that, if aborigines were not killed or injured, it was attributable more to good luck than good management.

Although it was unable to quantify the increase in the risk of cancer to participants in the test programme or the population of the test region, the report said "it is probable that cancers which would not otherwise have occurred have

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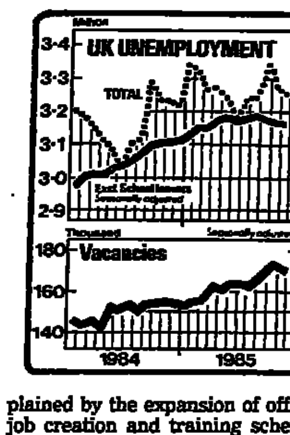
Editorial comment, Page 22

UK unemployment falls again

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

BRITAIN'S adult unemployment total fell in November for the third consecutive month, reinforcing the Conservative Government's hopes that the rising unemployment trend of the last six years has at last been halted.

The Department of Employment said that the seasonally adjusted total of adults claiming unemployment benefit fell by 8,100 last month to stand at 3,165m or 13.1 per cent of Britain's working population. The unadjusted total, including school-leavers, fell by 18,000 to 3,258m, or 13.5 per cent.



Over the six months to November there was an average monthly fall of 2,000 in the adjusted figure, provoking optimism among ministers that the underlying trend is now flat.

Lord Young, the Employment Secretary, said yesterday that it was too early to say that unemployment was now on a downward path.

The performance since the spring, however, had been the best in any comparable period since 1979 and the figures "clearly add weight to the view that the underlying trend is now flat," he said.

The improvement is partly explained by the expansion of official job creation and training schemes and in particular the Community Programme since the March budget. Government statisticians estimate that this may have cut the unemployment total by a monthly average of about 5,000 since May.

Overall there are about 495,000 people on special schemes who would otherwise be on the official unemployment register.

Since the jobless total was rising by an average of 13,000 a month between December 1984 and May this year, the latest figures also suggest a more fundamental improvement in the labour market in response to the pace of economic growth.

The Government has avoided giving any direct forecast of the unemployment over the next year. But there is growing optimism among ministers that bouyant economic growth next year, a further expansion of the special schemes and a slower pace of growth in the labour force could bring a modest fall in the number of people out of work.

Yesterday's figures, had a less than enthusiastic reception from the independent pressure group Charter for Jobs. Mr Jon Shields, its director, said that the recent flattening out in the trend was no reason for complacency.

"Growth in the economy is already slowing and there are no prospects for a substantial fall in unemployment unless more decisive action is taken," he said.

Separate figures released yesterday show that Britain's unemployment rate compares with a figure of about 7 per cent in the US., 9 per cent in West Germany, 10 per cent in France and just over 10 per cent in Italy.

CONTENTS

EUROPEAN NEWS

More controls on French oil products lifted

BY PAUL BETTS IN PARIS

THE French Government has deregulated the domestic petrol and oil products market further by lifting price controls on home heating fuel and postponing for a year the obligation of French petrol retailers to buy at least 80 per cent of their supplies from European refiners.

The move is part of the Socialist administration's efforts to deregulate important sectors of the economy and gradually free all industrial prices. The Government had already lifted price controls on petrol and a number of other petroleum products earlier this year.

Mr Pierre Beregovoy, the Economy and Finance Minister, has championed these liberalisation moves to inject greater competition in the market and, in turn, help hold down prices on consumer products like petrol. However, although the impact of price deregulation has been generally favourable for domestic petrol prices, this has been offset by the high level of taxation on oil products.

The decision to postpone for a year's trial period the obligation for petrol retailers to buy at least 80 per cent of their supplies from European refiners was especially welcomed by independents like the Leclerc discount chain and the Carrefour hypermarket group. Independent retailers control about 20 per cent of the French petrol market.

Both Leclerc and Carrefour, which have led the recent discount war at French petrol pumps against the big oil companies, said yesterday they planned to cut the price at their pumps by a further 10 centimes in coming days.

Under regulations dating back to 1928, petrol retailers could only buy up to a fifth of their supplies outside Europe to ensure the overall security of French oil supplies. But in view of the current softness of the oil markets, the Government felt that this rule prevented independent retailers from taking full advantage of lower oil prices.

Visit puts Fabius at odds with President

BY OUR PARIS STAFF

THE CONTROVERSIAL visit to France of General Wojciech Jaruzelski, the Polish leader, has opened deep scars in the ruling French Socialist party and inflamed the political debate on the chances of President Francois Mitterrand "cohabitating" with a right-wing majority in Parliament next year.

Socialist party leaders have openly acknowledged their embarrassment and expressed their concern yesterday over the differences between Mr Mitterrand and Mr Laurent Fabius, the Prime Minister, over the visit.

Mr Fabius yesterday took the unprecedented step of telling the National Assembly that he had been "personally troubled" by the President's meeting with General Jaruzelski. He clearly sought to distance himself from the President and only tepidly defended the meeting by repeating to the National Assembly Mr Mitterrand's explanations.

In Martinique where he is on a state visit, President Mitterrand was visibly irritated when asked what he thought of Mr Fabius's statement and ignored questions on the issue.

The division between the two on this issue has been seized upon by the right-wing opposition parties. M Raymond Barre, the former Prime Minister and a leading opposition candidate for the Presidency, said that if Mr Fabius was troubled he should resign.

The episode has also raised new questions about how Mr Mitterrand would live with a right - wing parliamentary majority next year if the right, as widely expected, wins the general election next March. The President has said he will stay in office until the end of his mandate in 1988. He has also defined his idea of "cohabitation" which would broadly split the tasks of the President, who would be responsible for foreign and defence policy, and the Prime Minister, who would be in charge of domestic policy. In this respect, his independent and hotly contested decision to see the Polish leader appears consistent with this concept.

But many right-wing and Socialist politicians feel that Mr Fabius's remarks in the National Assembly have undermined both President Mitterrand and his prime minister.

Fairground protest stakes its claim to a Paris pitch

BY DAVID MARSH IN PARIS

WOULD THE elephants or the riot police arrive first? That was the question yesterday on the minds of 300 French fairground stallholders camped out illegally under a 160 ft high Big Wheel in the sacrosanct Tuileries gardens at the heart of Paris.

"We are not afraid of anyone," said a burly woman enthusiastically gathering signatures of support for the stallholders' wildcat action which started in the early hours of Sunday morning and is due to culminate in a "People's Fete" starting this afternoon.

"In the past there were lots of fairs in the centre of Paris," said the equally solid-looking Mr Daniel Bornaes, proprietor of a mammoth Big Dipper which his staff were labouring to erect next to a line of ghost trains, roundabouts, helter-skelters and dodgem cars. "We need a solution now."

The travelling entertainers, who have been campaigning for several years against a Government ban on fairs in the centre of the capital, took the Tuileries by storm in a bid to attract public attention to their grievances.

In the December sunshine quads of workers toiled to assemble amusements ready for today's start-up watched by a throng of curious Parisians and tourists. It formed a colourful counter-attraction to the untidy building site a few hundreds yards away along the banks of the Seine where President Francois Mitterrand's costly and controversial glass pyramid is being constructed in the grounds of the Louvre.

The Ministry of Culture which owns the gardens—the site of jousting tournaments in the Middle Ages—has started court action to evict the trespassers. Two elephants sent by a circus to reinforce the fairground troops were repelled by police on Tuesday. Although the forces of law and order were keeping a watchful eye yesterday, the squads of CBS riot police clogging the streets of the capital for General Jaruzelski's visit on Wednesday appeared to be playing a waiting game.

The Government claims that the ground of the Tuileries is too soft to allow installation of heavy machines and the tread of hundreds of thousands of visitors' feet. It says it has already offered adequate sites on the outskirts of Paris to the fairground entertainers—a profession of 50,000 family businesses across France.

Mr Bornaes retorts that the Tuileries was robust enough to stand up to an invasion of tanks brought in for a military show there a few years ago.

One of the entertainers' other main complaints is that government negotiations with the Disney company over building a giant pleasure park east of Paris amount to "preferential treatment" for an "American multinational."

Turkish current account improves

By David Barchard in Ankara

TURKEY'S current account balance is continuing to improve substantially, according to figures issued by the Treasury yesterday. These show the deficit falling to $234m in the first nine months of the year, compared with $985m a year earlier.

Officials expects the deficit to be around $800m or less by the end of the year.

The trade deficit is also continuing to improve, narrowing by 12.6 per cent to $1.7bn in the same period. Imports were up by 5 per cent, but exports grew by nearly 13 per cent.

The improvement in the current account is largely due to tourism which, until this year, has not been a significant net foreign exchange-earner for Turkey. Net tourism revenues had reached $362m by September compared to only $177m in September last year.

The overall balance, however, was in deficit by $20m in September compared to a $104m surplus last year.

The current account improvement is of particular interest because Turkey is believed to be returning to the international money markets shortly for a further balance of payments loan to succeed the $500m hybrid credit negotiated last winter.

Meanwhile, the Istanbul Chamber of Commerce has published figures suggesting that the inflation rate rose by 3 per cent in November.

FINANCIAL TIMES
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. Guiollettstrasse 54, 6000 Frankfurt am Main 1. © The Financial Times Ltd, 1985.
FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

Andriana Ierodiaconou reports from Nicosia on a parliamentary election intended to undermine the Greek Cypriot leader

Kyprianou fights his corner against Left and Right jabs

FOR THE past month, Mr Menelaus the grocer has been working overtime. But it's nothing to do with Christmas trade; every evening he conducts a self-appointed vigilante inspection of the cypress trees lining his street to make sure none but the political party he favours has its posters pinned up for Cyprus's parliamentary election on Sunday.

"Of course I respect the political views of all my customers," he says with a diplomatic smile—"in business hours."

With a sum total of voters not exceeding 346,450 elections on the island are bound to be a personal affair. Only Greek Cypriots will be voting on Sunday. The Turkish Cypriot community, about 18 per cent of the native population, has been segregated in the north-eastern third of the island since 1974, when Turkish troops occupied part of Cyprus

On the face of things, Sunday's vote will elect 56 deputies for five years to the 80-member House of Representatives (the balance of vacant seats is reserved for the Turkish Cypriots). In fact, the election, which is being held about 10 months early, is the latest twist in a raw domestic political plot in which the main Greek Cypriot opposition parties have been trying to unseat President Spyros Kyprianou for almost a year.

The contestants are the president's Democratic Party, which won 19.5 per cent of the vote in the 1981 general elections, the right-wing Democratic Rally led by Mr Glafkos Clerides (31.9 per cent), the pro-Moscow Communist Akel (32.8 per cent), and the Socialist Edek (8.2 per cent).

The President has been challenged by the Rally and AKEL in an unlikely tactical alliance ever since January, when he rejected a United Nations peace plan for Cyprus backed by Washington and London in summit talks with the Turkish Cypriots in New York.

Apart from their open disagreement with Mr Kyprianou about whether the plan should have been accepted, the two parties each of has its own reasons for wanting to bring him down. Akel has been waging its campaign with all the fury of a former political ally scorned. The President dissolved in alliance of convenience with the Communists, which had secured him their backing in Parliament, just before the January talks

Mr Kyprianou: detrimental to stay in office

Mr Clerides has harboured frustrated presidential ambitions since unsuccessfully challenging Mr Kyprianou in 1983. Private negotiations with the President, between January and last summer, aimed at forming a new political alliance, with the Rally substituting for the Communists, failed when the two men could not agree a common platform on how to solve the Cyprus problem.

Both Akel and Rally say explicitly that they intend to try to force an early presidential election in the normal way due in 1988. If they achieve the required two-thirds of the seats in Parliament, they will try to amend Article 44 of the Constitution which specifies under what circumstances the President might leave office prematurely. If not, they intend to veto key Bills until Mr Kyprianou caves in.

Barring a disaster for his party, Mr Kyprianou says he is determined to stay in office until the end of his term. He resisted efforts to force his resignation all last winter, arguing that under Cyprus's presidential system he was not bound by the decision of the majority in Parliament.

The President, a survivor of other similar attempted political manoeuvres since taking office after the death of Archbishop Makarios in 1977, has ironically had the easiest campaign since his position on the Cyprus problem has the greatest popular appeal. He insists that all the Turkish occupation troops must leave under any settlement; the Greek Cypriot refugees created by the Turkish invasion must all return to their homes; that, given the invasion, Turkey cannot be allowed to remain a guarantor power, as it was with Greece and Britain under the Cyprus independence agreement; and that Greek Cypriots must be free to move, settle and own property in all parts of the island.

Akel and the Rally have had a more difficult time. As supporters of the January draft plan, they cast themselves by definition in the role of compromising realists. Since the campaign quickly showed that the role is unpopular—a November opinion poll showed that trends favoured Mr Kyprianou's party and the equally hard-line Socialists—they have ended up defending a "no Turkish troops, all refugees back to their homes" Cyprus settlement with a zeal which has surpassed the President's. This has left confused voters wondering, as they have often done since January, just what AKEL and the Rally are quarrelling with Mr Kyprianou about, if not just purely the prize of presidential power. They could have something there.

Weinberger sees SDI ready by mid-1990s

BY RUPERT CORNWELL IN BONN

THE US Defence Secretary, Mr Caspar Weinberger, yesterday declared that Washington's controversial Strategic Defence Initiative (SDI) could be ready much sooner than expected, and that an anti-missile shield using ground-based lasers could be ready for deployment as soon as the mid-1990s.

Speaking at a West German-US Nato policy seminar here, he also urged the European allies of the US to join the SDI programme. "It's not too late. There are still billions of dollars left to go, and we would welcome participation in any form."

Mr Weinberger was in Bonn for a short visit on his way to London. After addressing the seminar, he met Chancellor Helmut Kohl for an hour, during which he is likely to have again impressed on the West German leader the keenness of Washington to see Bonn as closely involved as possible in the SDI.

Mr Kohl himself favours a formal understanding between the two governments on participation. But although he has repeatedly promised a decision before Christmas, enduring differences within his centre-right coalition make it uncertain what form any agreement between Bonn and Washington might take.

The US Defence Secretary based his confident assessment of SDI prospects on the results of recent tests in Hawaii. These, he said, had shown a way of removing the effect of the atmosphere on lasers, so that they could be beamed into space in any weather.

He also dismissed fears—frequently voiced by European opponents of the so-called Star Wars initiative—that the Soviet Union could defeat the system merely by building more missiles to penetrate such a screen. These criticisms, he argued, were based on a misunderstanding of how SDI would work. It would be impossible to overwhelm an SDI defensive shield by sheer force of numbers, Mr Weinberger insisted.

Nor would SDI "decouple" the interests of Europe from those of the US. "In fact the initiative will make it a little easier" to deal with intermediate range missiles like the Soviet SS-20s, which most directly threaten Europe and West Germany.

Pentagon reforms, Page 4

Commercial oil stocks in OECD fall to 1979 level

BY OUR FOREIGN STAFF

COMMERCIAL OIL stocks in the industrialised world were drawn down by 500,000 barrels a day in the third quarter of this year, according to the latest estimates of the International Energy Agency.

Inventories of companies in member states of the Organisation for Economic Co-operation and Development had fallen to 321m tons at the beginning of October, representing 74 days of forward consumption, according to the IEA's monthly market assessment. In terms of usage this is the lowest level since 1979, the year of the last oil supply crisis and price escalation, when the number of days was 68.

Preliminary indications are that private stocks held on land rose at the rate of 100,000 b/d, says the Paris-based agency. They point to a level of company stocks of 322m tons at the beginning of 1986 representing 72 days of forward coverage.

The IEA reckons that oil consumption in OECD countries fell by 1.5 per cent in the third quarter compared with the same period of 1984. The declines were 2 per cent and 3.5 per cent respectively for the first and second quarters.

Overall, reduced consumption is attributed to a 15 per cent fall in demand by residual fuel oil which offset a rise in consumption of gasoline and middle distillates.

A marginal rise in oil consumption for the fourth quarter is estimated.

Opec wrestles with price fall, Page 8

Faelldin deposed as party chief

By Kevin Done, Nordic Correspondent, in Stockholm

THE FORMER Swedish Prime Minister, Mr Thorbjorn Faelldin, has been forced out of his post as Centre Party leader, in the wake of a disastrous performance in September's general election.

He was Premier from 1976 to 1978, and again from 1979 to 1982, at the head of various non-Socialist conditions. He was Sweden's first non-Socialist Prime Minister for 44 years.

His departure could upset the delicate balance in Parliament, where the minority Social Democratic Government is dependent on the Communists for a majority.

Mr Faelldin, a bitter personal adversary of Mr Olof Palme, the Social Democratic Prime Minister, has placed the Centre Party firmly in the non-Socialist camp. Key elements in the party, however, want to take it closer to the Social Democrats in order to play a balancing role in Parliament.

He warned yesterday that such a policy would "ensure a Social Democratic Government for the foreseeable future."

Mrs Karin Sorder, deputy chairman and former Foreign Minister, had previously announced that she would not stand for re-election at the party's congress next year. Yesterday, however, she would not rule out standing for the leadership. She said Mr Faelldin should not be made a scapegoat

The party's electoral committee, which ousted Mr Faelldin, last night put forward the more youthful Mr Olof Johansson, a former Energy Minister.

FORMER CHANCELLOR JOUSTS WITH KOHL OVER SUMMIT

Schmidt steps back in the limelight

BY RUPERT CORNWELL IN BONN

FOR THE first and possibly last time in the current Parliament, the past and present Chancellors of West Germany confronted each other in the Bundestag yesterday. And not just their styles but also their views differed—most sharply on the esoteric ground of European monetary policy.

The occasion was a formal statement on this week's European Community summit in Luxembourg by the current incumbent of the post, Helmut Kohl. But the occasion was understandably dominated by his predecessor, Helmut Schmidt, whose Bundestag swansong it might well prove to be.

It was only the third major parliamentary speech Mr Schmidt has made since the centre-right won the federal election of March 1983, and the first in which he has led in a debate for the Social Democrat opposition. When the country votes again, in early 1987, he has already made clear that he will not be seeking re-election.

Mr Kohl yesterday was dogged, thorough, and possessed of an optimism somewhat more measured than usual, in presenting his assessment of Luxembourg as a "small but decisive move forward" along the difficult path to European integration.

By the standard of some of his withering attacks on Mr Kohl before his fall from power in October 1982, the former Chancellor was distinctly conciliatory. Both men, after all, are convinced Europeans, differing only over means rather than ends. Mr Schmidt, too, called Luxembourg a "small step" in the right direction.

But Schmidt-watchers none the less had their money's worth. His hour-long speech was sweeping, peppered with references to great and famous friends—plainly anxious to mark its author as a statesman amid a current field of modest political selling-platers.

There were the habitual quotations of foreign authors and politicians—this time ranging from Mark Twain and George Bernard Shaw (twice) to David Lloyd George, among others. The *Financial Times*, too, received its customary mention. If applause afterwards was any yardstick, Mr Schmidt won the duel with his successor

To laughter from the SPD, he quoted Mr Kohl against himself, before warming to his favourite themes: the deterioration since his term of office in Franco-German relations, and the overriding need for Europe to break down barriers and pool its resources and draw advantage from the economies of scale offered by a Community now of more than 300m people.

One of the main ways of achieving this goal, Mr Schmidt insisted, was monetary policy. And while Chancellor Kohl made clear that the inclusion of monetary affairs in the Treaty of Rome neither would nor should imply a dimunition in the power of the Bundesbank, his predecessor begged to differ.

The European Monetary System, Mr Schmidt argued, could be developed without Treaty changes. The real obstacle however lay less in Britain's refusal to put sterling into the narrow margins agreement of the EMS than in the stubborn hostility of "Frankfurt and Bonn"—in other words the Bundesbank and the finance ministry.

"By blocking the growth of the Ecu (the European currency unit), you are only strengthening the quasi-monopoly of the dollar," he chided Mr Gerhard Stoltenberg, the Finance Minister, sitting nearby.

MEPs call for measures to boost coal use

BY PAUL CHEESERIGHT IN BRUSSELS

IMMEDIATE STEPS to stimulate the consumption of coal and halve thelev el of imports should be taken by the European Community to save the coal industry, according to a report commissioned by Socialist members of the European Parliament.

Publication of the report* is designed to bring pressure on the European Commission to change proposals for a closer control of subsidies to the industry. Phasing out subsidies would have a devastating effect on whole communities, said Mr Alf Lomas, leader of the British Labour group.

"The social costs are far in excess of savings in subsidies," he said yesterday.

The Commission dismissed the report, however, claiming it started out from incorrect premises. Its proposals permitted the continued use of subsidies on a basis that would be only slightly different from that applied now, a spokesman commented. If the Ten agree, the Commission's proposals would come into effect next July.

The thrust of the report, acceped by Labour MEPs, is that the coal industry should be nursed through a short term trough in demand and that its continued development would rule out the need to follow the nuclear option.

For Mr Norman West, the South Yorkshire MEP, sponsored by the National Union of Mineworkers, the report "is a natural extension of work done to support the recent miners' dispute."

The two Scots academics, who have provided the Socialist MEPs with the background to combat simultaneously the Commission and the governments of the UK, West Germany, France and Belgium, all of whom are seen as wanting to shut coal capacity, argue for:

- An anti-dumping tax of up to \$10 a tonne to curtail the import of what is seen as artificially low priced coal.
- An anti-pollution tax, on a sliding scale related to sulphur content, designed to encourage the low sulphur coal output of areas like Wales and Scotland.
- A ban on South African coal imports.
- The formation of an EEC coal trading agency which would act as a buyer, stockholder and trader in the international markets.

At the same time, the report suggests, EEC governments should provide short term stimulus for the industry by stepping up plant investment, subsidising intra-EEC trade and pushing more resources into encouraging industrial conversion to coal from other fuels.

**The Defence of Coal*, by George Kerevan and Richard Saville with Debra Percival; British Labour Group and Socialist Group of the European Parliament, Brussels.*

Peugeot plans to cut 3,100 jobs next year

BY PAUL BETTS IN PARIS

Peugeot, the private French car-maker, plans to cut 3,100 of the 50,000 jobs in its domestic manufacturing operations next year as part of its efforts to improve productivity. However, it told workers' representatives that it did not envisage any compulsory redundancies.

The company hopes to persuade 1,800 immigrant workers at its Poissy, Sochaux and Mulhouse plants to accept incentives to return to their homelands. It has been very successful at this over the past year. The state-owned Renault motor group is also doing the same to reduce its workforce.

Peugeot, whose performance has been boosted by the commercial success of its 205 supermini, hopes to lose the remaining 1,300 jobs through early retirements and natural wastage.

The group, which includes both Peugeot and Citroen, has said that it will need to reduce its total workforce by about 3-4 per cent a year if it is to continue making productivity gains. Citroen is also expected to seek job cuts next year.

After several years of heavy losses, the group is expected to return to the black this year. Reflecting the company's more confident mood, Peugeot is understood to have told union representatives that the company could afford some slight excess labour next year.

Gibraltar leader firm on sovereignty

By David White and Joe Garcia in Madrid

SIR JOSHUA HASSAN, Chief Minister of Gibraltar, yesterday reiterated his firm opposition to any concession concerning British sovereignty over the colony, as the UK and Spain started a two-day round of ministerial talks here.

Making his first visit to Madrid in more than 20 years, as part of the British delegation, he said there could be no deal on sovereignty but that the two sides could co-operate further in areas where there was no conflict.

These would include tourism and economic development, which have already been under discussion locally in the framework of last year's Anglo-Spanish agreement to open talks on Gibraltar.

The two sides agreed then to discuss all their differences, including the sovereignty question, but it was made clear nothing would be done against the Gibraltarians' wishes.

Sir Geoffrey Howe, the British Foreign Secretary, arrived here yesterday afternoon to talk first with King Juan Carlos, who is due to visit the UK next year, and later with his Spanish opposite number.

Spanish observers appeared resigned to the absence of any prospect of signficant progress on the sovereignty issue. They thought that the British side would be hamstrung by concern not do anything that might aggravate the controversy over the recent pact between London and Dublin over Northern Ireland.

Sir Geoffrey is due to meet Mr Felipe Gonzalez, the Spanish Prime Minister, today

Italy lifts curb on banks

By James Buxton in Rome

ITALIAN BANKS yesterday became free to borrow abroad without limit, following the lifting of restrictions imposed by the Bank of Italy. They were ordered in July 1984, to hold their foreign indebtedness at the level of June 30 of that year because the central bank was alarmed at its rapid rise as they borrowed abroad to meet domestic demand for credit. Banks had to hold their collective foreign indebtedness at L25,797bn (£10bn).

O'Neill warns of rough passage for tax reform Bill

BY STEWART FLEMING IN WASHINGTON

THE DEMOCRATIC speaker of the House, Rep Thomas P O'Neill, warned yesterday that the tax reform Bill approved by the ways and means committee faces a tough test when the full House votes on it next week. House Democrats would need the support of at least 75 Republicans for the Bill in order to pass, he predicted.

Mr O'Neill's comments came in the wake of a statement from President Reagan offering only muted support for the ways and means committee's Bill and a decision by the House Republican conference earlier in the week expressing its opposition to the proposal. The bill was prepared by the democratic majority on the ways and means committee.

In his statement President Reagan said the ways and means committee's proposals "represented substantial progress from the current law," but warned that "any legislation that ends up retarding economic growth ... is not what we mean by tax reform."

The President's lukewarm support for the Bill and the official opposition registered by the 182 Republicans in the House leaves the outlook for the tax Bill cloudy.

The White House strategy seems to be aimed at avoiding a specific endorsement of the ways and means committee tax reform proposal while providing enough backing for tax reform in principle to ensure the Bill passes the House so that it can be taken up next year in the Senate. The Administration hopes it will be able to fashion a tax reform Bill which is closer to the proposals outlined earlier this year by the Treasury.

For this strategy to succeed, however, many legislators argue the White House must lobby hard in private over the next few days to convince Congressmen, in particular disaffected Republicans, to vote for the Bill.

The tax reform Bill is only one of several political battles which the White House will have to fight on Capitol Hill over the next week. Coming to a head also is the fiscal 1986 budget debate, the outlines of which have not yet been finalised even though the year is already two months old.

There was continued uncertainty too yesterday about the outlook for the major reform of the budget process which is also being worked on in Congress and which, because it is linked to legislation to raise the federal debt ceiling, is also facing a December 12 deadline for action.

Predictions abound that the House and the Senate will reach agreement shortly on a compromise budget reform Bill but some budget experts on Capitol Hill maintain divisions over the shape of the legislation are deeper than congressmen are willing to concede in public.

Kennedy clan's new star seeks a place in Congress

Joe Kennedy — carrying on the family tradition

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE FIRST of a new generation of Kennedy's is seeking a foothold on the bottom rung of the ladder that led his uncle, President John F. Kennedy, to the White House.

Joseph P. Kennedy II, eldest son of the assassinated Bobby Kennedy, announced on Wednesday he would carry on the family tradition by running for the Boston seat of the retiring speaker of the House of Representatives, the Democrats' father figure mr Tip O'Neill.

Mr O'Neill, who will be 73 on Monday, is finally giving up the coveted seat in Massachusetts after 17 consecutive two-year terms in the House.

Announcing his candidature with a familiar toothy grin and a mop of unruly hair, the young Joe Kennedy was instantly reminiscent of his father, whose political heritage he also shares. He pledged to "stand up to the special interests that have so much power in this country and fight for the rights of the poor, the elderly and working people."

He was careful not to suggest that the seat was somehow his right as a family fiefdom. He welcomed the support of anybody in his family, but he was not running as "a Kennedy" but as "Joe Kennedy," he told a crowded nationally televised Press conference.

Whether he likes it or not, however, his entry into the race ensures that it will be one of the most closely watched of all the contests in next November's mid-term congressional elections. To the envy of the eight rivals who have already thrown their hats in the ring, his announcement was covered by over 100 reporters

Earlier this year, Mr Kennedy told the Boston Globe he was not interested in politics because "it's such a crummy system." That is what he now says he wants to change.

The Democrats, he acknowledges, are in need of new ideas. "The days of tax and spend, tax and spend are over. "We must find innovative and creative ways to provide affordable housing, affordable health care, affordable food for families."

That is just the sort of thing that Mr Kennedy has been working on for the past six years as founder of the Citizens' Energy Corporation, a successful non-profit-making company that supplies low-cost heating oil to the poor. But he also, like most of his family, has a skeleton in the cupboard. When he was 20, he was the driver in an accident that paralysed an 18-year-old woman from the waist down. He pleaded guilty to negligent driving, paid a $100 fine and still helps to support her.

Tension rises in Central America, **Tim Coone** reports

Nicaraguan arms race escalates

AN INCREASING distance has opened up between the Contadora peace process and the daily reality of the war in Nicaragua. The Sandinistas have repeatedly stated that they will not cede an inch politically or militarily to their US-backed adversaries, but neither is the US going to ease the pressure.

The Reagan Administration is now campaigning in the US Congress for military rather than "humanitarian" funds for its guerrilla army in Nicaragua. Mr Harry Bergold, the US Ambassador in Nicaragua, said recently: "I see no possible sign of a change in the (Reagan) Administration's policy towards Nicaragua for the next year at least."

This was underlined on Wednesday when President Reagan signed a Bill broadening US support for the Contras by allowing them unarmed aircraft and trucks, although it still prohibits military training or armaments.

Two significant events have happened in Nicaragua in the past weeks. Firstly, President Daniel Ortega announced that Nicaragua will not sign any arms limitation agreement in Central America whilst the US continues its proxy war in Nicaragua and threatens more direct military actions. This is the first time that the Nicaraguan Government has stated quite so firmly and publicly its negotiating stance in the Contadora peace process.

Secondly, the Defence Minister, Commander Humberto Ortega, the President's brother, announced a de facto end to a self-imposed moratorium on the acquisition of new weapons systems when he said the armed forces plan to obtain "all the air, land and naval means necessary to throw back a possible US invasion."

The moratorium was announced in February of this year, at the same time as a reduction in the number of Cuban military advisors was announced as unilateral measures aimed at trying to revive direct talks with the US at Manzanillo in Mexico, and to give an impulse to the flagging Contadora peace efforts in the region.

However, the war has continued and the US position has since hardened, with a trade embargo imposed in May, and the renewal of Congressional funding for the Contras in July.

An escalation of military tension in Central America is imminent. Commander Humberto Ortega claims that Honduras is about to receive the advanced F-5 jet fighter from the US, equivalent in performance to the Mig 21. US government officials have expressed confused and contradictory statements as to whether the F-5s are indeed to be delivered, but the Reagan Administration has made an unequivocal warning to Nicaragua that "surgical air strikes" would be carried out if Nicaragua were to obtain Migs.

The guerrillas, under the weight of a sustained army offensive throughout 1985, have shifted their operations from the now well-defended northern mountains, to the sparsely populated cattle-ranching regions in the centre of the country in Boaco, Chontales and Zelaya Central. The main guerrilla unit "Task Force Jorge Salazar" depends on air drops of ammunition supplies to continue fighting, because of the distance from its supply points in Honduras.

Thus the Nicaraguan air defences are becoming a key factor in the Government's ability to push home its advantage, having driven the Contras out of the important coffee zones in the north of the country and into "an irreversible decline," according to the Defence Minister.

The use of the low-level Sam 7 missile has been effective in shooting down some of the Contra supply flights from Honduras, but it has a limtied range and is more effective in defending set positions rather than pursuing elusive flights in the night.

The acquisition of the high-altitude Sam 6 missile by Nicaragua, which is being strongly rumoured at present, would on the other hand make the supply drops and even the U-2 spyflights extremely perilous for the US pilots carrying them out.

The Contadora process has almost reached its useful limit for Nicaragua. The Sandinistas say they are still willing to discuss arms limitations, but any agreement will now be firmly conditional on the US putting a complete end to its military and economic pressures against Nicaragua.

With new and better arms and further enlistment of troops, the future of the Contras is strictly limited. Commander Ortega predicts their "total defeat" within 18 months. By then, if the US is still intent on shaking the Sandinistas from power, direct military action will be even more costly to carry out.

A negotiated end to the war in Nicaragua is therefore remote, and the widely predicted defeat of the Contras must now lead either to the US's eventual abandonment of its guerrilla army, or to an escalation of direct US military involvement in the war.

NICARAGUA is about to break ties with the government of Taiwan in order to establish formal diplomatic relations with the People's Republic of China according to the Nicaraguan Foreign Ministry. A formal announcement is expected to be made in Peking on Friday or Saturday.

A high level delegation left Nicaragua for Peking on Monday and includes Mr Miguel d'Escodo, the Foreign Minister, and Mr Henry Ruiz, the Minister for Foreign Co-operation.

It will be the first time Nicaragua, or indeed any Central American state, has established relations with mainland China since the revolution led by Mao Tse Tung in 1949.

Nicaragua has trading relations with both countries, but a break in relations with Taiwan could mean the loss of short term trade credits to Nicaragua worth some $2 to $3m a year, and a sizable reduction in total annual trade of about $20-$30m between the two countries.

Navy eases contract ban on General Dynamics

BY PAUL TAYLOR IN NEW YORK

THE US Navy has "extended indefinitely" a Friday deadline for bids to build four Los Angeles-class nuclear attack submarines in an apparent attempt to keep General Dynamics, one of the nation's largest defence contractors, in the contract race.

The move came less than 24 hours after the Pentagon imposed a temporary ban on General Dynamics bidding for any new federal government contracts. This followed a grand jury indictment of the company and four current or former employees on criminal fraud charges and improperly charging the Pentagon $7.5m (£5m) in cost overruns on the ill-fated Sergeant York anti-aircraft gun.

The navy said it was extending the deadline in order to protect competition for the nuclear submarine contract which otherwise would have been awarded to the only other bidder, Tenneco's Newport News shipbuilding and drydock subsidiary.

The Navy's action is certain to fuel political controversy over relationships between the Pentagon and major defence contractors and strengthen the belief of Pentagon critics who have argued that the US military fails to effectively discipline its largest suppliers.

The decision is also likely to reafirm the widespread view among Wall Street analysts that once again General Dynamics is likely to emerge virtually unscathed financially by its latest brush with the Pentagon.

Wall Street analysts said the Navy's move confirms the Pentagon will continue to make every effort to ensure that General Dynamics remains available for bidding on key contracts — despite the latest temporary ban.

Weinberger won over to need for Pentagon reforms

BY OUR U.S. EDITOR IN WASHINGTON

MR CASPAR WEINBERGER, the US Defence Secretary, has been won round to the idea that significant improvements are needed in the US military command structure, after initially resisting proposals for reform.

In a letter to the Senate Armed Services Committee, Mr Weinberger says he can now accept some of the changes that have been strongly endorsed by the House of Representatives and are now under consideration in the Senate.

The main provision which Mr Weinberger has now accepted, is that the chairman of the joint chiefs of staff, not the group as a whole, should be designated as the principal military adviser to the President and the Secretary of Defence. The chairman would be authorised to provide alternatives submitted by the individual services, rather than a watered-down compromise

Canada to put minimum 24% tax on wealthy

BY BERNARD SIMON IN TORONTO

CANADA IS to impose a minimum tax on the wealthy next year, fulfilling a promise by the ruling Progressive Conservative Party during the 1984 election campaign to make the tax system more equitable.

Mr Michael Wilson, Finance Minister, said the proposed minimum tax of 24 per cent will be applicable to individuals with taxable incomes of more than C$45,000 (£21,844). They will pay either the new minimum tax or the amount owed using normal calculations, whichever is higher.

The top marginal tax rate for individuals is normally between 49 per cent and 60 per cent (depending on province of residence), but over 100,000 Canadians have been able to use various deductions, credits and other shelters to avoid paying any tax at all.

OVERSEAS NEWS

Pretoria expected to extend capital repayment standstill

BY ANTHONY ROBINSON IN JOHANNESBURG

THE South African Government *is expected to announce* a formal extension of the four-month capital repayment standstill introduced on September 1 either today or early next week but is not expected to extend the scope of the restrictions to *the $10.3bn of public sector* debt.

According to *senior officials* the unilateral extension of the repayment *standstill* covering $14bn of private sector debt will be accompanied by a clarification of technical details referring to bankers' acceptances *and a clearer definition of* documentary credits.

The standstill, originally intended to end on December 31 is expected to be extended for between three and six months to allow negotiations with *creditor banks through the good* offices of Dr Fritz Leutwiler to continue on the basis of formal proposals already sent to him. South African officials stress *that the main aim of* the South African proposals is to "normalise" credit arrangements and reactivate the flow of credits to South Africa.

Foreign creditor banks, both directly and through Dr *Leutwiler, have made clear that* progress along these lines will only be forthcoming if South Africa gives convincing evidence of its intention fundamentally *to reform the* apartheid system.

Last week Dr Gerhard de Kock, governor of the Reserve Bank said that he "confidently expected the Government to introduce political and constitutional reforms which would win the support of moderate black and white opinion" during the next parliamentary session which begins in January. On Wednesday Mr Chris Heunis, Minister of Constitutional Development, indicated that part of the reform package would be legislation allowing *qualified blacks to buy their* homes on a freehold basis in designated black townships.

South Africa's electricity supply corporation (Escom) yesterday announced a 15.5 per cent tariff rise for 1986, and blamed higher domestic interest charges caused by the *difficulties in obtaining* foreign loans as one factor behind the increase.

Escom chairman, Mr John Maree, *said that major* cost-cutting and a R1.5bn (£390m) cut in capital expenditure planned over the next four years had helped to keep the increase below the current rate of inflation. But higher *interest rates, lower sales* because of the recession, and the effect of rand depreciation, coupled with the 10 per cent import surcharge introduced *in October, had raised* the cost of imported components and were major cost factors which had to be recouped.

The Standstill Co-ordinating Committee (SCC), headed by Dr Chris Stals, director general of finance, has been under *pressure from creditor banks to* extend the debt standstill to the $10.3bn of public debt hitherto excluded from the standstill net.

A fierce internal debate is also taking place between "free *marketeers*" headed by Governor De Kock and the Reserve Bank, who argue that import controls, a pegged currency linked to a system of physical currency allocations and other restrictions would be *highly damaging, and influential* Afrikaner banking and business circles, with growing support in the administration, who argue that they are needed in view of the political nature of the financial crisis.

The fact that the rand has failed to strengthen, despite introduction of *the standstill and* the two-tier financial and commercial rand system, but is currently bumping along at around 36 US cents and even *weaker against* European currencies, has strengthened the hand of the interventionists.

Exchange market dealers believe the main reason for the currency's weakness—despite a current account surplus on a customs clearance basis running at an annualised R6bn—is trade leads and lags with importers *forced to pay cash and* exporters delaying repatriation, coupled with the well-known political factors.

The latest gold and currency reserve *figures* released yesterday show that total gold and foreign assets at the end of November totalled R4.818m with foreign assets dropping R101m over the month to R655m and gold R110m higher at R4.16bn, reflecting the increase in gold valuation from R751 per fine ounce to R795.

The failure of the reserves to benefit from the current account surplus is a major source of concern which reflects the leakages of the current standstill net

Tensions run high in Cape Town

By Our Johannesburg Correspondent

TENSIONS ran high in the Cape Town coloured suburbs of Athlone and Belville yesterday after overnight incidents in which police fired teargas into a church *meeting and beat up people* attending a candlelight service for those detained under security laws and emergency regulations.

The service in the Dutch Reformed Church in Belville *was addressed by the Rev* Allan Boesak, a leading clerical opponent of apartheid race laws and patron of the United Democratic Front

According to eyewitness reports a policeman who was *riding with troops in the back* of an armoured car allegedly scattered stones in the road outside the church after the teargassing incident.

The police reported that* tear gas had been fired at the estimated 700 strong crowd leaving the church after stones had been thrown at *their armoured car.

Heavyhanded police action was also reported from Athlone, where hatred and suspicion of the police was *fuelled one month ago by the* "trojan horse" incident where police hidden in crates emerged from the back of a decoy lorry and fired into a crowd which had stoned their vehicle killing three youths.

***Police reportedly* moved through the streets tearing candles out of the hands of people *taking part in a candle* light procession also in support of detainees and whipped many present with sjamboks (long leather whips).**

● Mrs Winnie Mandela, the black nationalist leader, was *in a South African hospital* yesterday where a news blackout was clamped on details of her illness, Reuter reports from Johannesburg.

***Mrs Mandela, the wife of* jailed black leader of Nelson Mandela, was taken to the Florence Nightingale Nursing Home in Johannesburg on *Wednesday* night**

UNIDENTIFIED REMITTANCES DEPOSITED IN BANKS

Dollars flow in for Philippine poll

BY SAMUEL SENOREN IN MANILA

AN UNUSUALLY large amount of unidentified US *dollar* remittances has been flowing *into the Philippine* banking system in recent months in what is widely believed to be an attempt by supporters of President Ferdinand Marcos to build up a war chest to finance his bid for another six-year term in *elections* scheduled for February 7.

The remittances from unknown sources have been *booked by the central bank* since the start of the second quarter. By the end of the third quarter such fund inflow reached $721m.

Local press reports had speculated that the remittances might be part of capital kept abroad by Mr Marcos's close *associates and* was being repatriated to bankroll his election campaign.

The governor of the Central Bank, Mr Jose Fernandez, confirmed during an open forum at a breakfast club recently that *remittances of unknown origin* had indeed been deposited with the banking system.

"During the third quarter," Mr Fernandez said, "the capital *inflow that was not explicable* through the normal balance of payments terminology amounted to $516m." During the second quarter, a similar *inflow of $205m was recorded* by the Central Bank.

The unexplained remittances are booked by the Central Bank in the balance of payments under "errors and ommissions," which is *normally* used *as* a statistical tool to reconcile figures.

This was the first time in years that a huge amount has been booked under such heading which usually as a cash *outflow rather than an inflow.*

Normally, funds remitted to the Philippine banking system come under definite categories in the balance of payments. If the funds are earned abroad, they are either classified as export receipts under merchandise trade or invisible income under non-merchandise trade *such* as services. If they are loans or *investments*, they are clearly identified as such.

Mrs Corazon Aquino, who this week declared that she *would stand for the presidency*, yesterday said she hoped to raise 250m pesos ($14m) for a nationwide election campaign and that she believes she has the unspoken support of the Roman Catholic Church.

Mrs Aquino told the *Associated* Press that her advisers estimate that she will need between 250m and 500m pesos. She was optimistic of raising at least the *lesser amount from* opposition businessmen and others.

"President Marcos has definitely the best organisation ever," she said. "Certainly it has been well-oiled over the past 20 years. He has certainly all the funds necessary and more than that.

***I guess* compared to the majority of Filipino women, you would call me wealthy, but compared to Imelda (the President's wife) I'd be poor."**

Mrs Aquino, who accuses Mr Marcos of masterminding the 1983 assassination *of her* husband, opposition leader *Benigno* Aquino, said she had increased her own security arrangements but would not accept protection from the Government. She said she was "fatalistic" *about her* own possible assassination.

● *Mr* Salvador Laurel, the former Senator who has declared his own interest in standing as an opposition candidate, yesterday told Reuter *that he and Mrs* Aquino would jointly *announce* "the official candidate of the united opposition" on Sunday.

Mr Fernandez acknowledged that the unexplained remittances helped increase the Philippines' *international* reserve to $1.4bn at the end of September, equivalent to about four month's import requirements for the country.

Bankers, hard put at *explaining* the abnormal remittances, suspect that the funds are really meant to finance Mr Marcos' re-election campaign. To maintain a well-oiled political machine, Mr Marcos can no longer rely on *the* financial resources *of the* Government because of stiff monitoring *by* the International Monetary Fund.

In the parliamentary elections last year the Central Bank advanced money to the Government totalling pesos 5bn ($270m) during the election period.

Mr Fernandez has said there *would* be no Central Bank funding for election purposes since it is committed to keeping money supply at levels pledged to the IMF.

There *is a great* deal of secrecy about the identity of *banks in which* the remittances were deposited. But the Marcos family is known to have links with at least four commercial banks where immediate members or *close* relatives are known to hold key positions.

Mr Marcos and his wife, previously charged that his cronies and close business associates illegally exported capital abroad over the years. In July, US *newspapers* reported that senior members of his Cabinet as well as close friends had heavily invested in the US and Europe.

Mr Marcus and his wife, Imelda, were mentioned in the reports as among the top Filipino investors in the US but both denied the accusation.

Under pressure, Mr Marcos ordered Mr Estelito Mendoza, the Justice Minister, to look into the reports. In the end nothing came of it with Mr Mendoza saying *he was not in a position* to investigate Mr Marcos and his family.

Delhi factory closed after gas leak death

BY K. K. SHARMA IN NEW DELHI

DELHI'S CITY administration has ordered the closure of Shriram Food and Fertiliser factory and is considering shifting all factories which use hazardous chemicals and processes out of New Delhi. This follows Wednesday's leakage of ogene gas which killed one person and led to the hospitalisation of at least 350 people.

The man who died was Mr Charanjit Singh, a lawyer. He was among *350* people taken to hospital after the gas leak which caused panic in Delhi following recent publicity given to the Bhopal tragedy just a year ago in which more than 2,000 people died after methyl isocynate (MIC) leaked from a Union Carbide pesticides factory. The Union Carbide factory has been closed down in Bhopal.

The demand was also made by agitated Members of Parliament yesterday when they unsuccessfully tried to table a censure motion against the Government *for failing to protect* the people of Delhi against industrial dangers.

The manager of the Delhi factory and two senior officials were arrested on charges of negligence and were released *on* bail yesterday. The oleum gas leaked after the collapse of a tank containing sulphuric acid

● A mob of militant Sikh *students* fought a two-hour battle with police in Punjab yesterday after they had stormed into a college *defying* their strike call, United News *of India reported*, AP writes.

Countries of South Asia hold first ever summit

BY JOHN ELLIOTT IN DHAKA

A FIRST step towards building economic and social co-operation among the seven countries of the Indian sub-continent will take place here this weekend, when the countries' leaders hold their first-ever summit and create a South Asian Association of Regional Co-operation (SAARC).

But progress will be slow because *the countries are divided* over a considerable number of border and other bilateral issues. "It is a great achievement just to be meeting together," President Ershad of Bangladesh, the summit host, said earlier this week.

The six smaller countries of Bangladesh, Bhutan, Nepal, Pakistan and Sri Lanka also fear domination by India, with which they all share borders or straits, and which has 740m *of the countries' total* 1bn population.

The *mood in the region*, however, has begun to change since Mr Rajiv Gandhi, who arrives in Dhaka today, became Prime Minister of India 13 months ago. Even *though longstanding* jealousies and irritation with India remains throughout the region, all the countries believe the time is ripe for co-operation to be improved, and for a first step to be taken towards a link with Asean *in the* neighbouring region of South-east Asia.

"SAARC involves economic and social co-operation and is leaving out those areas that are contentious. There is no security or ideological or military connotation," Mr Abul Ahsan, the summit spokesman, who is *Bangladesh ambassador to* Pakistan, said yesterday.

The countries set up an informal forum in 1981 called South Asian Regional Co-operation, *whose activities* have been limited—apart from occasional ministerial meetings — to exchanges between officials and experts on subjects such as telecommunications, transport, postal services and meteorology.

This work will now be expanded but will not yet venture into potentially more contentious economic areas, such as *free trade, and industrial and* energy co-operation.

Yesterday, at a preliminary meeting of foreign ministers, it was agreed to set up committees of experts on drug trafficking, which is a major problem in India *and* Pakistan, *and on* international terrorism.

The foreign ministers appeared last night to have avoided a clash over Afghanistan, *which was raised at an* informal ministerial dinner on Wednesday night. India resisted a bid by some other countries, including Pakistan, to demand the withdrawal of Soviet troops from Afghanistan in the summit's official declaration to be issued on Sunday. Mr Ahsan said the issue had not been formally discussed and was not in the draft declaration.

Land fraud surfaces in Israel

By Lynne Richardson in Tel Aviv

THREE MEN are in police custody in Israel charged with involvement in fraudulent land sales on the Israeli-occupied West Bank.

The first to be arrested was Mr Avraham Gindi, a building *contractor, who is suspected of* selling plots for homes at two new settlements, neither of which had been approved as a settlement site. Mr Gindi's remand has been extended because his two brothers, partners in his firm and also believed to be involved in the case, have left the country.

Two former Government officials have been arrested on *the suspicion of forging* documents, which Mr Gindi purportedly used to convince his clients of his title to the land. Mr Avi Tsur and Mr Claude *Malka* were both aides to former Deputy Agriculture Minister, Mr Michael Dekel, whose department was responsible for the allocation of building land.

Rumours of a large-scale land *fraud have abounded in Israel* for more than two years, since the Justice Ministry was alerted by advertisements offering plots for sale at an unauthorised *site*.

Meanwhile, on the West Bank, two Palestinians were served with expulsion orders by the Israeli military administration. There have now been 30 such orders issued

Taiwan considers proposals for radical financial reforms

BY ROBERT KING IN TAIPEI

THE GOVERNMENT of Taiwan has begun consideration of 56 proposals for economic and financial reform which if implemented in full would entirely change the way *business is run in Taiwan.*

The Economic Renovation Committee (ERC), set up by the Government last May in the wake of a general economic slowdown and the country's worst financial scandal, *delivered the last of its* proposals last month at the end of its six month mandate.

No details of the proposed changes were announced, however, prompting some sceptics to suggest that lack of clarity offered the Government an easy way out should it decide to *simply shelve the proposals.*

Kuo-shu Liang, chairman of *the Chang Hwa Commercial* Bank and head of the ERC financial sub-committee, however, discussed the main economic and financial proposals in a paper delivered at an economic conference in the US *recently*.

According to Mr Liang the proposals include:

● Reductions in business and personal income taxes; simplification of the tax laws; and reduction of the nominal average tariff rates to 15-20 per cent by 1991.

● Simplification of import and investment procedures; abolition of minimum export and local content requirements for foreign investors; and elimination of a controversial retroactivity clause regarding pensions in the recent Labour Standards Law.

● Better bank examination and regulations; *higher* capital requirements; and improved *disclosure* and *reporting* requirements.

● An ultimate revision of the banking laws to effect a complete de-regualtion of deposits and lending rates; minimal state interference and bureaucracy in government banks; one set of regulations to *cover both government and* private banks; and allowing the establishment of new private banks, as well as an expansion of foreign bank branches' scope for business here.

● Diversification of credit instruments in the money markets; better valuations of credit *ratings of companies issuing* commercial paper and bankers' acceptances; permitting new finance companies to set up; improvement of inter-bank market functions; a clearer definition of the responsibilities of the Securities Exchange Commission and the stock market, as well as what constitutes fair trading; stronger inspections of broking and trading houses, and a better monitoring of market behaviour for irregularities; an *improved accounting* and disclosure requirements for listed companies.

● Freer transactions in gold and a substitution of an import *duty on bullion for* current import reporting requirements.

● Establishment of a reporting system for imports and exports of commodities to replace the current higher licensing and approval system.

Implementation of these changes which appear to mirror closely some suggestions made by the Taipei American Chamber of Commerce to the committee at the end of August, could well eliminate many of the economic and financial irregularities and bottlenecks that have plagued both Taiwanese and foreign businessmen and bankers over the past two years.

Many of the shortcomings of the current system have become apparent over the past *three years*, as one supposedly sound company after another has defaulted on loans and later collapsed. Such "problem loans" have cost foreign banks alone about $600m so far

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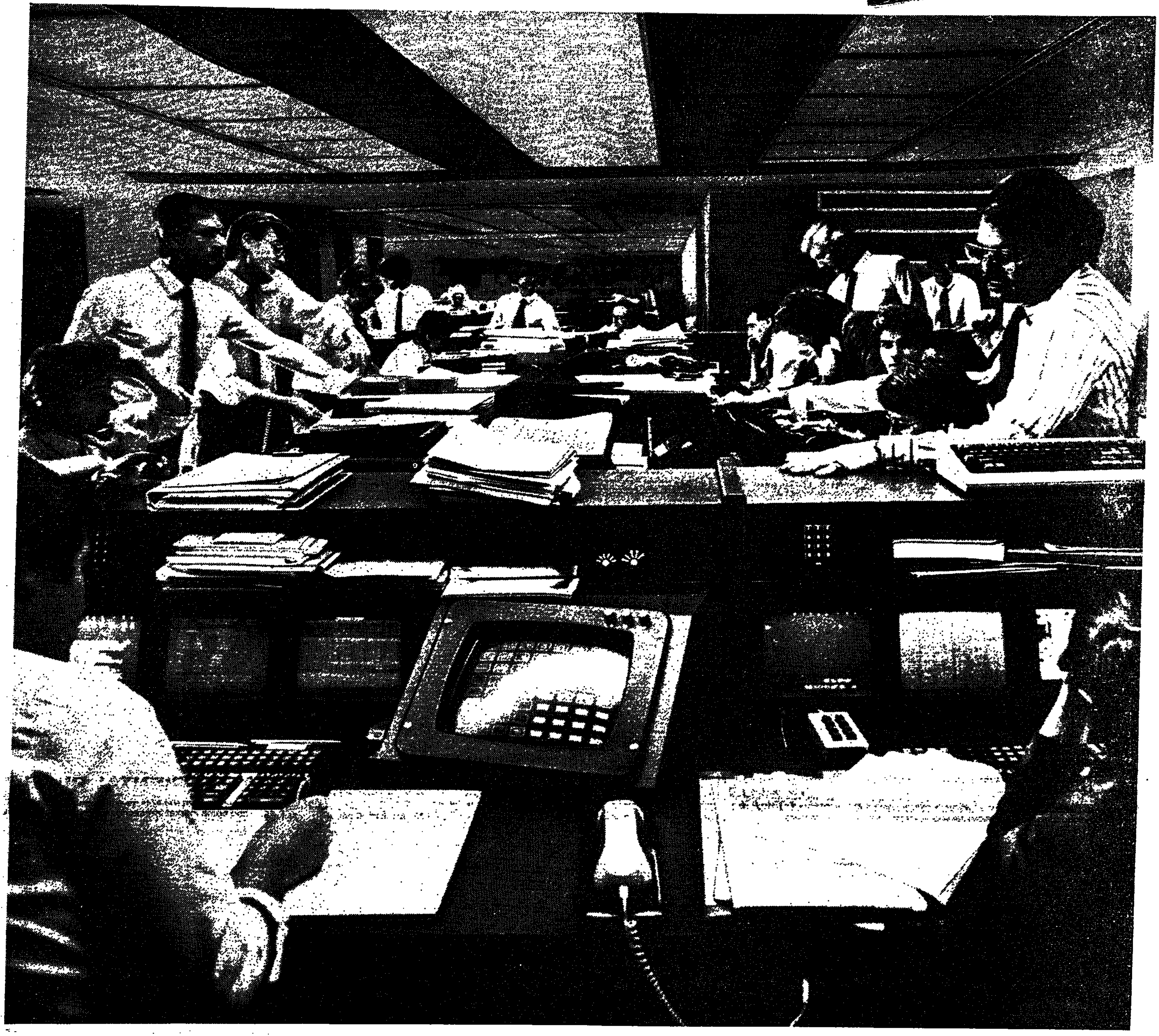

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WORLD TRADE NEWS

Opec wrestles with sudden price downturn

BY RICHARD JOHNS

MEMBERS OF the Organisation of Petroleum Exporting Countries *can have few illusions* that the strength of the spot market until late November amounted to a change in their fortunes.

When the ministerial conference convenes in Geneva tomorrow, the slide in prices over the past fortnight should have convinced them that their output since the summer at a level far above their agreed ceiling was made possible only by short-term factors and must now be curtailed.

But despite the prospect of a cascading free-fall and a potentially *disastrous* drop in income the prospects of their agreeing to assert even minimal discipline seems small.

Since Opec last met in Vienna two months ago it has badly squandered an opportunity to tighten up supplies and so ease *the acute, belt-tightening strain* all forecasters, including its own experts, regard as inevitable in four or five months' when consumption is bound to fall.

The 13 producers responded to a demand higher than they dared hope and considerably *exceeded the limit of 16m* barrels a day on collective production agreed 13 months ago. Opec output in October and November rose to an average of about 17m b/d, according to the latest estimates of the International Energy Agency—a level dangerously in excess of *the agreed ceiling of 16m b/d.*

In the third quarter, Opec output had dropped to a 20-year low of 14.9m b/d as Saudi Arabian production sank to an average of only 2.4m b/d ,or about 2.6m b/d including its share of the Neutral Zone).

The increase since then is largely accounted for by the kingdom's decision to end its traditional role of "swing producer," absorbing any fall in demand and to cease its rigid adherence to official prices.

As a result of offering customers supplies on a "net-back" price—calculated on market realisations for products less transportation and refining costs—Saudi Arabia is now *more or less fulfilling its 4.35m* b/d quota under Opec's production pact.

Indonesia has exceeded its *allocation while the United* Arab Emirates and Libya have increasingly failed to observe the pact.

Iraq has, as it said it would, pumped as much as it could sell through the extra export capacity made available to it by the completion of the pipeline link to Saudi Arabia's trans-peninsula system.

It raised its output to about 1.6m b/d compared with a *quota of 1.2m b/d. Nigeria has* increased its output to as much as 1.7m b/d, capitalising on the frantic build-up of stocks and the short-term rise in demand for light crude in the Atlantic Basin, as well as offering better terms to its equity partners.

Despite continued raids on its *Kharg Island terminal, Iran has* sought to implement its threat to match every incremental Iraqi barrel, and managed an additional 100,000 b/d over and above its quota.

Two months ago, the IEA project demand for Opec oil—assuming no build-up or rundown of stocks—was 16.2-16.3m b/d. The surge to a much higher level derived immediately from the rock-bottom level of inventories reached this summer.

Commercial stocks were reckoned to have been reduced in the third quarter at the rate of 500,000 b/d to the lowest point in member-states of the Organisation for Economic Co-operation and Development, since 1974.

Demand was further stimulated by the corresponding improvement in product realisations and refinery margins. An early bout of cold weather and a shortfall in Soviet supplies were other factors.

More fundamentally, the transient bubble originated from the *market's profound* scepticism about Opec's ability to defend prices and the consequent expectation of lower ones which resulted in the rundown of stocks. Now it has well and truly burst.

Precisely two weeks ago, the buyer-seller rate for Brent Blend reached a peak *of $30.65-$30.70* a barrel and a day previously. Nigeria's Forcados crude had reached a peak of $30.30-$30.60 compared with an official selling rate of $28.07.

Yesterday morning following a two-week slide, with the market still awash with surplus *supplies* and many traders with badly-burnt fingers, Brent was traded at $27.55.

When Saudi Arabia's "net-back" deals were confirmed in September, Sheikh Ahmed Zaki Yamani, its oil minister made it clear that, as well as being a means of regaining market share in the face of other members' indiscipline, they were also warning them to restrain their output.

The implication was that *the* switch in policy could be of limited duration and the kingdom might revert to official selling prices if market *stability was* restored by effective control of production by the end of 1985.

That possibility can now more or less be *ruled out*. Meanwhile, the proliferation of Saudi "net-back" deals now involving 2m b/d can only stimulate more discounting *within* Opec and downward pressure on the market in the critical months ahead.

The outcome in prospect, as in *Vienna in October*, is likely to amount to no more than a ritual call for production discipline, a despairing appeal to non-Opec producers to co-operate, and a hollow reaffirmation of the 16m b/d ceiling.

The scenario of prices dropping evoked *again last week* by Sheikh Yamani and a market crash in the spring will probably be in sharper focus by the time *delegates disperse*.

OPEC CRUDE OIL PRODUCTION
JULY-OCTOBER 1985
(thousand barrels daily)

	Opec quota	3rd quarter	Oct.
Algeria	663	675	675
Eucador	183	290	280
Gabon	137	160	160
Indoesia	1,189	1,180	1,500
Iran	2,300	2,460	2,400
Iraq	1,200	1,295	1,500
Kuwait	900	842	900
Libya	990	1,110	1,200
Nigeria	1,300	1,130	1,450
Qatar	28	320	320
Saudi Arabia	4,3535	2,500	4,000
UAE	950	1,100	1,250
Venezuela	1,555	1,555	1,550
Neutral Zone*	—	300	350
Total	16,000	14,907	17,335

* Shared equally by Saudi Arabia and Kuwait (Neutral Zone).

Source: Middle East Economic Digest

Mitsui seeks UK telecom deal

BY JASON CRISP IN LONDON AND CARLA RAPOPORT IN TOKYO

BRITISH TELECOM looks set to sell its sophisticated communications system to dealers to Japan. Its subsidiary BT Teletrade is expected to sign a deal with Mitsui, one of Japan's largest trading companies, in January or February.

Mitsui wants to import BT's City Business System to sell to foreign exchange dealers. The system was developed by BT's City area over four years ago to replace the old and cumbersome dealer boards and has been sold in a number of financial centres including New York and Hong Kong.

"This system has not been developed yet in Japan. That is why we would like to import it," Mitsui said yesterday. The Japanese company said the deal would be the first step towards establishing longer term links with BT.

The City Business System gives a dealer automatic dialling, immediate access to tied lines and data bases using a touch sensitive screen.

The computer-controlled system means a dealer does not have to have dozens of switches and lights and does away with the hundreds of wires used on old dealer boards.

● Canon, one of Japan's largest camera and office equipment makers, yesterday said it intends to augment its plans to boost overseas production in Europe and the US.

The company now says it plans to build component plants in the countries where it is increasing its production in order to ease trade friction and reduce its exports.

"It is our management policy to support local production facilities with high-quality component support," a Cannon official said. Such facilities would aim to sell its components to European as well as Japanese equipment-makers.

● Northern Telecom said it had received a contract to supply its digital SL-1 private branch exchange system to Shougang *Beijing Capital Steel Factory*, one of the largest steel factories in China, Reuters reports from Toronto. Value of the contract was not disclosed.

Northern Telecom said the 4640 Line SL-1XN, which provides voice and data communications, is the largest system the company has sold in the Pacific region and is scheduled for installation during the second quarter of 1986.

BASF to build chemical production plants in China

BY JOHN DAVIES IN FRANKFURT

BASF, the West German chemical group, is to build two production plants for the Chinese under contract.

Although the deal is worth only DM 60m (£15.3m), it is the latest concrete result of the West German chemical industry's cultivation of links with China.

BASF will build two plants each with an annual capacity to produce 40,000 tonnes of phthalic anhydride and 2,000 tonnes of maleic anhydride—substances used in making such materials as polyester resins.

One of the complexes is expected to be built in Nanjing in Jiangsu Province and the other in Zibo in Shandong Province.

BASF will be responsible for the planning, delivery of equipment, and supervising construction.

The latest deal was signed by BASF and Chinese representatives during meetings in Brussels this week, marking the 10th anniversary of co-operation arrangements between the European Community and China.

● Robert Bosch, the West German automotive components and electronics group, is discussing with Mitsubishi Electric of Japan the possibility of entering into a joint venture to make *electronic fuel injection* systems in Japan. But Bosch said it was too early to give further details.

UK NEWS

Invisible trade boosts current account surplus

BY MICHAEL PROWSE

A STRONG performance on invisible trade pushed Britain's current account into a surplus of £1.2bn in the third quarter of this year, the Central Statistical Office (CSO) said yesterday.

The CSO said the overall surplus on invisible transactions – tourism, banking and remitted profits on overseas investment – was £1.7bn in the third quarter.

This represents a significant upward revision from its earlier assumption of a £1.2bn surplus. The invisibles surplus was more than sufficient to outweigh the £500m deficit on visible trade.

Within the invisibles account, the surplus on trade in services has improved markedly in the latest two quarters.

Most of the improvement reflects the UK's growing surplus on tourism but the surplus on financial and other business services has also risen.

The surplus on travel of £248m in the third quarter compared with a deficit of £50m for the whole of 1984.

Britain's surplus on financial and other business services was £1.9bn in the third quarter compared with £1.5bn in the same period last year and £6.3bn for the whole of 1984.

The upward revision of the overall invisibles surplus in yesterday's figures suggests that the Treasury's forecast of an overall current account surplus of £3bn for the whole of 1984 could prove too pessimistic.

The CSO also released figures on investment and capital transactions which do not appear in the current account.

Overseas direct investment in the UK recovered slightly from a low level in the second quarter, officials said. There was a more pronounced recovery in British direct investment overseas.

A big change occurred in the net foreign currency borrowing and lending of UK banks: an inflow of £900m in the second quarter turned into an outflow of £2.1bn in the third.

Statisticians at the Bank of England admitted they were baffled by the change and could offer no explanation.

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS
(£m, seasonally adjusted)

	1983	1984	1984 Q3	1984 Q4	1985 Q1	1985 Q2	1985 Q3
Visible balance	–835	–4,101	–1,615	–1,313	–1,283	–222	–543
Invisible balance	3,962	5,222	1,314	1,772	875	1,657	1,705
of which: Services	3,671	4,186	1,129	1,070	1,164	1,643	1,763
Interest, profit & dividends	2,431	3,340	917	994	749	719	881
Transfers	–2,140	–2,304	–732	–292	–1,038	–705	–939
Current balance	3,127	+1,121	–301	459	–408	1,435	1,162

Source: Central Statistical Office.

Minister says auditors should report fraud

BY CHARLES BATCHELOR

AUDITORS who fear that directors may destroy vital evidence of fraud should report to the regulatory authorities without first informing their clients, Mr Michael Howard, Minister for Consumer and Corporate affairs, said yesterday.

This proposal, if implemented, would represent a significant further extension of the auditor's role in the reporting of fraud and comes at a time when the accountancy profession is still engaged in heated debate over the issue.

Mr Howard's suggestion, made at a conference on fraud organised by the Institute of Chartered Accountants in England and Wales (ICA) and the Law Society, differs radically from the view taken in the Benson report on financial fraud published on Wednesday.

Lord Benson's report, compiled at the request of the ICA, said that the suggestion that an auditor could go behind his client's back without his knowledge was unacceptable.

Mr Howard said: "There is little or no point in reporting management fraud to the perpetrators themselves. In such circumstances I hope it can be generally accepted that there is a clear duty on the auditor to report the matter to the regulatory authorities.

"This has not always been the practice of the profession in the past. But I hope that it becomes the practice in the future.

"In many, perhaps most, cases it will be appropriate to inform the client of the reporting action which the auditor proposes to take.

"But there will be some cases, where for instance the continued existence of vital documents may be in question or there is a real danger of directors running off with large amounts of public money, when giving the client advance warning will amount to nothing less than a tip-off.

"In such cases I am quite clear that the public interest requires the auditor to report to the regulatory authorities without informing his client that that is what he is about to do."

The minister said the Government preferred not to legislate but hoped ,the accountancy profession would give guidance to its members on the lines of the Benson and other reports and his own comments.

Mr Doiran Williams, controller of the fraud investigation group at the Director of Public Prosecutions Office, said that guidelines might not be adequate.

Speaking in a personal capacity, he said: "We may have to look at legislation. This would not be a wholly retrograde step. A statutory duty to report would override an auditor's duty of confidentiality."

The council of the ICA will spend the next month reviewing the question of the accountant's role in reporting fraud.

The ICA is looking at the possibility of putting a limit on auditor's liability, as is the case in West Germany, and of apportioning responsibility for damages over, for example, directors as well as auditors. Auditors are seen as an easy target since they are often the only people to carry professional liability insurance.

Talks on export credits expected

BRITAIN'S lending banks are about to start talks aimed at renegotiating with the Export Credits Guarantee Department (ECGD) the margins they charge in connection with their administrative costs and profits for providing subsidised fixed-rate export finance, Frank Gray writes.

It is understood that the leading lenders, led by the main clearing and merchant banks, have exchanged correspondence with the ECGD in the run-up to formal talks, which could begin before Christmas.

At the same time several export finance officials expressed concern yesterday at suggestions that the margins they charged the ECGD before July 1982 were excessive in comparison with the margins charged since, and should be subject to retrospective renegotiation.

The margins issue was one element in a UK House of Commons public account committee report, which called for a full investigation of the change in the rate of margins.

Under the fixed rate export finance scheme, the ECGD reimburses the lending banks the difference between fixed and market rates of interest. In addition, it pays them a margin to cover administrative costs and profits.

The report implied that the margins existing before 1982 – which ranged between 0.625 and 1.25 on medium-to-long-term sterling loans – were too high and should have been renegotiated.

□ **GOVERNMENT** is coming under increasing pressure from all sides of the House of Commons for the reference of several recent takeover bids to the Monopolies and Mergers Commission.

Mr Bryan Gould, Labour's trade spokesman, said the Government had failed to develop any coherent policy. There could scarcely be a single boardroom which was not now nervously boosting its short-term performance in order to ward off unwelcome attentions from predators.

Mergers wave, Page 11

□ **THE ANGLO-AMERICAN** agreement for British participation in the controversial Star Wars research programme has been delayed, apparently for both political and technical reasons.

Mr Michael Heseltine, Defence Secretary, and Mr Caspar Weinberger, his US counterpart, had been expected to sign the outline agreement in London today, but a hitch developed following Cabinet discussions yesterday.

□ **HORIZON,** Britain's third largest tour operator, has launched another cut-price package tour programme, using its Broadway label, and promised that it has no plans "at this point in time" to raise previously announced prices in spite of rising fuel costs.

□ **BRITISH AIRWAYS** is reducing some of the cheaper fares available on its flights from Heathrow, London, to Amsterdam from January 6, although the normal Club Class single rate remains unchanged at £81.

□ **THE CITY** of London Corporation has embarked upon a detailed investigation which could lead to a refurbishment and partial redevelopment of the historic Smithfield meat market, which has seen a drastic decline in business over the last 20 years.

□ **THE GENERAL COUNCIL** of British Shipping has warned that tax concessions in the next budget are essential to halt the decline in the British merchant fleet. The latest figures show that there are 640 ships weighing 16m tonnes in the UK owned and registered fleet, against 1,614 vessels at 50m tonnes 10 years ago.

Reprieve for state pensions scheme

BY ROBIN PAULEY

MRS MARGARET THATCHER, Prime Minister, has finally agreed that the state earnings-related pensions scheme (Serps) will have to be reprieved, clearing the way for a White Paper (policy document) on social security reform on December 16.

Serps has involved a series of retreats by ministers since first decided to abolish it on the ground that it would become too great a burden on contributors in the early part of the next century. Mr Norman Fowler, Social Services secretary, was strongly supported by Mrs Thatcher who does not believe the state should play a role in providing wealth-related, rather than safety net, benefits.

Instead, they wanted to open up the pensions market and make people more responsible for their own pensions. By the time he published a discussion paper on the proposals in June Mr Fowler had already been forced by the Treasury to modify his plan because of the huge extra cost to the Exchequer which would have been caused by the tax reliefs for all the new private pensions taken out, so Mr Fowler proposed to phase out Serps over 15 years, safeguarding the rights of all who had already contributed.

The outcry over even this slow abolition has now resulted in a decision to keep Serps but to cut its cost by curtailing benefits to widows and changing the basis on which Serps entitlement is calculated.

Blow for critics, Page 12

British Gas payments to Exchequer halved

BY DOMINIC LAWSON

THE GOVERNMENT has halved the contribution that British Gas Corporation will make to the Exchequer from its cash surplus this financial year.

In November 1984 the corporation agreed a negative external financing limit of £352m for 1985/86. But Mr Peter Walker, the Energy Secretary, told MPs yesterday that British Gas would now have to pay only £176m.

The cost of British Gas supplies in the first part of 1985 was much higher than had been expected, because of the decline of the pound against the dollar. About 20 per cent of British Gas supplies come from the Norwegian Frigg field, and are dollar denominated. It is thought that last year British Gas paid about 30p a therm for its contracted Frigg supplies, and actually made a loss in selling the gas to industrial customers.

On Monday, the Government is expected to publish the terms of the licences governing British Gas sales to industrial and domestic customers, after privatisation. This will contain a regulatory formula which will allow British Gas to pass on automatically any increase in the cost of its gas supplies to the domestic consumer.

Yesterday's announcement by Mr Walker is likely to increase the concern of consumer bodies at the freedom given to a privatised British Gas to pass on automatically to the domestic consumer such a fluctuation.

Earlier this week Mr Michael Montague, chairman of the National Consumer Council, said: "The new company must not be allowed simply to pass on the cost of the gas they buy to the customer. If they make à bad deal with gas suppliers, the shareholders and not the consumers should foot the bill."

Channel Tunnel Group backed

BY ANDREW TAYLOR

PLANS to build a twin bore rail tunnel under the English Channel are supported by an all-party House of Commons transport committee because the proposals were cheaper than its nearest rivals, were more likely to be finished on time and within budget and would have a lesser effect on the environment.

A report by the committee published yesterday recommended: "If the governments (UK and French) decide to go ahead with a fixed Channel link, their choice should lie with the Channel Tunnel Group. Only if the governments consider a fixed road link to be indefensible should the choice fall on EuroRoute."

A recommendation that the committee should support EuroRoute's proposals for a road and rail scheme, involving a combination of bridges, artificial islands and tunnels, was defeated only on the casting vote of the chairman, Mr Gordon Bagier, a Labour MP.

The committee said that it could not recommend schemes from Channel Expressway (proposing separate road and rail tunnels) or from Eurobridge (proposing a road bridge and a rail tunnel) because it was not convinced that the technologies in both schemes were sufficiently proven.

UK NEWS

Brokers 'conspired to poach clients'

By Raymond Hughes, Law Courts Correspondent

MERRILL LYNCH, the international securities dealers, complained to the UK Court of Appeal yesterday about a "well planned and large-scale conspiracy" to poach its clients.

But it failed to persuade the court to reinstate an injunction stopping two former employees, Mr Pascal Besman and Mr Bruce Berkowitz – and the company they have recently joined, Shearson Lehman Brothers, broking arm of the American Express group – having further contacts with Merrill customers they had already solicited.

The two appeal judges expressed sympathy with Merrill Lynch but said the order would stop "innocent third parties" dealing with the brokers of their choice.

Miss Hilary Heilbron, for Merrill Lynch, had told the court that Mr Besman and Mr Berkowitz were highly successful investment consultants. Between them they had serviced about 650 clients and in the first 10 months of this year earned more than $2m commission for Merrill Lynch.

In admitted *flagrant* breach of their employment contracts, they had set about enticing clients from Merrill Lynch to Shearson Lehman, which they joined last week.

The evidence was of a well planned and large-scale conspiracy, Miss Heilbron said, describing Mr Besman and Mr Berkowitz's behaviour as "deceitful and monstrous."

Merrill Lynch had obtained High Court injunctions banning the soliciting of its clients and the disclosure of its confidential information, but last Tuesday part of the order had been cancelled.

Lord Justice Lloyd said that on the day Mr Besman and Mr Berkowitz were dismissed by Merrill Lynch they joined Shearson Lehman and contacted about 250 of their former clients.

He said he felt considerable distaste in allowing them to rely on the interests of "innocent third parties" when their own case appeared to have so little merit.

Lord Justice Nourse said the decisive factor was that the clients should be allowed to exercise their right to go to the brokers of their choice. He agreed, "with considerable reluctance," that Merrill Lynch's appeal must be dismissed.

SHAPING THE GOVERNMENT'S TAKEOVER POLICY

Complications abound in a wave of mergers

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MR LEON BRITTAN, Trade and Industry Secretary, will in the next few days have to decide whether the £1.8bn, takeover bid by the Australian group Elders IXL for Allied-Lyons, the food and drinks company, should be referred to the Monopolies and Mergers Commission.

It is the sort of decision Mr Brittan will increasingly have to take over the next few weeks, after the multi-billion-pound wave of mergers and acquisitions in recent months.

What makes his job all the harder is that, unlike many of the 200 or so mergers initially scrutinised each year by the Office of Fair Trading (OFT), this latest crop of mergers either involves substantial increases in corporate concentration or thorny issues such as control of a big British company going overseas.

Although the Elders/Allied-Lyons decision is imminent, Mr Brittan will have a few weeks yet before having to make up his mind on the other big deals pending.

These include the Habitat-Mothercare retailing groups agreed merger with British Home Stores and the contested takeover attempt of Distillers, the drinks company, by Mr James Gulliver's Argyll Group.

The initial scrutiny of the merger by the Office of Fair Trading takes about three weeks from the time it receives the official details of the deal. OFT officials can start preliminary work on its advice to the Secretary of State, but it does not start officially until the formal offer documents have been received.

For most of the current crop of deals, therefore, Mr Brittan will probably not receive the OFT's advice until just before Christmas.

His subsequent decisions on whether to refer those mergers will largely determine the shape of the Government's policy on mergers for the rest of this parliamentary session.

If most of the mergers are let through without reference to the commission, the green light for other multi-billion-pound deals will be given to companies that have largely been held back by fear of a lengthy commission inquiry.

LARGE MERGERS PENDING

Companies involved	Value of deal
Allied-Lyons/Elders IXL	£1.8bn.
Habitat-Mothercare/BHS	£1.5bn.
Imperial Group/ United Biscuits	£1.2bn.
Argyll Group/Distillers	£1.9bn.
GEC/Plessey	£1.2bn.

Given the Government's firm belief that mergers should be scrutinised only if they are likely to harm competition it seems likely that most of the big deals will be let through.

The most probable exception is Elder's bid for Allied-Lyons, since one consistent feature of UK merger policy has been dislike of the control of large British companies going overseas.

Most UK companies are content to use that defence against unwanted approaches from foreign companies, but are less happy with the approach shown by the Government since Mrs Margaret Thatcher took office in 1979.

The main complaint is that of inconsistent official policy on mergers – both in determining which mergers to refer and in the outcome of the commission's deliberations.

Without some idea of the rules of the merger game, groups such as the Confederation of British Industry have complained, companies find it difficult to plan growth by acquisition.

Tory attitudes on mergers have changed considerably since Sir Geoffrey Howe, then Minister for Trade and Consumer Affairs, expressed concern in 1973 when he drew attention to risks that a few large companies might control a big share of UK output.

Subsequently, Mr John Nott, then Secretary of State for Trade in Mrs Thatcher's first Government, spoke in favour of a mergers policy helping to maintain a vigorous small and medium-sized corporate sector in Britain.

He was dubious about the acquisition of a successful company by a large and unrelated group which was merely "shopping around when flush with funds."

The onset of the recession lessened official concern with increased concentration in the business world. In addition, some of the conglomerate empires built up in the 1960s and 1970s have proved to be fragile.

Companies involved in badly conceived and executed mergers have suffered and "de-merging" has entered into the business vocabulary of the 1980s.

In the past five years, most companies have been upset not so much by this rather vague approach to mergers but by the succession of changes at the top of the Trade Department, which led to different ministers' taking inconsistent decisions about individual cases.

Lord Cockfield, when Trade Secretary, particularly created concern with a series of puzzling decisions about which mergers should be referred – sometimes taking the unusual step of overruling the advice from the OFT.

The OFT plays a crucial role in advising companies at a pre-acquisition stage about whether a potential deal faces being referred. That advice is confidential and does not preclude the parties' going ahead with a bid, even if the OFT advises that a reference would probably follow.

The OFT found it increasingly difficult to give firm advice when its eventual recommendation to the Secretary of State was overturned.

The criteria concerning which mergers should be referred were detailed last year by Mr Norman Tebbit, when Trade Secretary, and reinforced recently by Mr Michael Howard, the new Corporate and Consumer Affairs Minister.

Mr Tebbit said his policy had always been to make references primarily on competition grounds. He said he would have regard to the international context – to competition in the home market from non-UK sources and to the competitive position of UK companies in overseas markets.

The exceptions to that were stated recently by Mr Howard, who said investigation on other grounds might take place "where the destiny of a vital national capability is at issue."

Whether Allied-Lyons's share of the UK drinks and grocery markets is a "vital national capability" is something Mr Brittan will have to decide shortly.

UK NEWS

Social security changes will go ahead says **Robin Pauley**

Blow for Fowler reform critics

MANY in the great army of critics of the Government's proposals to reform Britain's £40bn a year social security system are going to be very disappointed when Mr Norman Fowler, Social Services Secretary, publishes his white paper (Policy Document) on December 16.

The final and reluctant agreement of Mrs Margaret Thatcher, Prime Minister, that the state earnings related pension scheme (Serps) cannot for the time being be abolished (even by slowly phasing it out) is a retreat from the proposals contained in a government discussion paper published in June.

The fact that Mr Fowler and his ministers have been severely shaken by the overwhelming hostility of nearly all 6,000 responses to the discussion paper, uniting the poverty lobby, the traders unions, the church, the pensions industry and politicians including a sizeable chunk of the Conservative Party, has led to some speculation that the entire plan is suicidal politically and will have to be dropped.

That is an error. Mr Fowler has spent two years on this reform and it is inconceivable that either he or the Prime Minister would allow it to be shelved. A commitment has already been given and a bill is expected to follow quickly after the white paper.

Objectors have secured important changes, however. The furore over the plan to phase out Serps over 15 years, already a compromise from the original plan to abolish it quickly, has forced ministers to conclude that a further compromise is needed. The Government remains adamant that Serps cannot continue as it now is without becoming a financial burden in the next century.

Mrs Thatcher and several of her colleagues are also ideologically opposed to the idea of the state providing wealth-related income for the retired as opposed to a basic safety-net income. But as the Treasury had earlier insisted that the reforms must be a zero-cost basis (or, better, a substantial savings basis) the option of substantially raising the basic pension was not available even though it would have muted much of the protest over ending Serps.

So the basic pension will not be enhanced and Serps will be modified rather than phased out. The key modifications, aimed at reducing its long-term cost, are likely to involve limiting benefits for widows of beneficiaries and altering the basis for calculating payments.

The present calculations are based on the best 20 earning years; this could be lengthened to 30 years or to average earnings of the entire working life.

Mr Fowler remains committed to the principle of private personal pensions and is still planning to introduce proposals, alongside the Serps plans, to encourage people to organise their own pensions – even though this raises the unresolved complexities of how to administer portable pensions, which could be transferred from job to job.

The second expected concession is over plans to cut housing benefit by £500m which aroused fierce criticism among backbench Tory MPs because it would mean many of the 6m pensioners on housing benefit losing some or all of it.

Coupled with the new rule that everybody on benefit must in future pay 20 per cent of their own domestic rate (property tax) bill, the cut in housing benefit could mean many people being substantially worse off, and unlike poor families with children, pensioners will have no new benefits in the reform to compensate. Although the domestic rates rule is certain to stay Mr Fowler now seems likely not to be

Mr Norman Fowler: forced to retreat, but not defeated

looking for such swingeing cuts in housing benefit in his white paper.

Research by the Policy Studies Institute and the Institute for Fiscal Studies has shown that there could be a substantial transfer of benefits from the needy to the less needy, leaving some poor people poorer than now.

Mr Fowler will need to be able to dance on the head of a pin to present this as a step forward although he can argue that all his reforms still provide a safety net which will catch all cases of extreme hardship.

What has been lost in the arguments over the discussion paper, mainly because since its publication ministers have been remarkably weak at defending it, is Mr Fowler's attempt to simplify and streamline the present complex and contradictory social security system.

He remains determined to push on with this, abolishing supplementary benefit and family income supplement and replacing both with a single benefit, Income Support, which will eliminate the distinction between householders and non-householders.

There will be extra for families with children and the disabled, but Mr Fowler is expected to change his mind about paying a lower rate to people under 25 as many of these are married and live in poor circumstances with children, the very group he is trying to help most. The reduced rate may be confined to people under 25 without children and still living at home.

Mr Fowler has entangled himself in controversy in one area for which he might have expected some praise. A glaring gap in his proposals is the lack of any attempt to work towards an integrated taxation and benefit system. This concept appears just once – the Family Credit which will be a means-tester benefit for poor families to offset the effects of tax and national insurance contributions.

But this is not a true tax-benefit integration and responsibility for its effective administration will lie with employers rather than the Inland revenue or the social security department, an aspect which has aroused employer hostility.

The poverty lobby is also incensed not only because they oppose means-testing as both inefficient and stigmatised, but also because it will mean paying a family benefit into the pay packet of the main earner, usually the male, rather than to the mother.

The argument that women will find it difficult or impossible to get their spouses to hand over the benefit every week in addition to money for household expenses is cutting no ice with Fowler – principally because the civil servant advising him most closely on this subject happens to be a woman who thinks the protests and the protestors are feeble.

Scientists find drug to combat clotting

By David Fishlock, Science Editor

BRITISH biotechnologists believe they have discovered a drug capable of finding and dissolving blood clots in the heart and circulatory system.

Their method uses a natural enzyme called tissue plasminogen activator (TPA) but is thought to avoid problems which may arise with other sources of TPA, which are worrying the drug regulatory agencies.

Plans are being drawn up which could put the British version of TPA on the market by 1988.

TPA is expected to be one of the first big money-spinners from the new wave of biotechnology, because of the prevalence of coronary heart disease in affluent countries.

At least 10 drug companies are believed to be developing biotechnology processes for making and purifying this complex protein in commercially useful quantities.

The regulatory bodies' worries centre on the fact that most of the processes start by cultivating a cancer (melanoma) cell in large quantities.

The British process uses healthy skin cells, which contain a more potent form of TPA than is found in the blood itself. This form is capable of dissolving completely scabs of old blood. It binds tenaciously to blood clots, so that its action continues until the clot is completely biodegraded.

A blood vessel which has become clogged carries a thick deposit of old tissue which, if not fully removed, encourages the growth of fresh deposits.

The British process originated in the laboratories of University College Hospital Medical School, London, in research by Professor Pat Riley and Dr Peter Sutton.

In 1981, the research moved to the Centre for Applied Microbiology and Research, part of the Public Health Laboratory Service of the Department of Health. Dr Sutton had become the centre's director.

The Centre and University College continued to develop and patent the process jointly and sponsored animal trials of their TPA at the University of Leiden in the Netherlands.

These trials suggest the British TPA looks extremely promising, said Professor Tony Atkinson, director of the centre's microbial technology laboratory. The trials demonstrated good clearance of blood clots and little effect on normal blood constituents, Prof Atkinson said.

Under a recent agreement with the Government, the biotechnology group Porton International has first rights to the commercial development of the centre's processes, including TPA.

The company is formally bringing the British process to the attention of the US Food and Drug Administration this week.

A development plan drawn up by the company and the centre, covering the next three years, includes launching a bigger animal trial and the first clinical trial next year. It also includes process development to increase production to commercial quantities.

Prof Atkinson believes the drug shows promise as a way of monitoring patients susceptible to heart disease. They would be given small quantities of TPA, which would adhere to any areas of incipient blood clotting, so that these could be clearly seen in a wholebody scan of the patient. The patient could then be treated locally with larger doses of TPA to dissolve any clots.

FT TELECOMMUNICATIONS CONFERENCE

Call for PTTs to provide users with 'basic' networks

USERS of telecommunications want state telephone and telegraph authorities (PTTs) to concentrate on providing a sound basic network, Mr George McKendrick, council chairman of the International Telecommunications Users' Group, said in London yesterday, writes Nick Bunker.

The PTTs should leave to private sector companies the task of developing value-added networks, which deliver services like stock quotations or inventory control over telecommunications lines. Business customers are "best serviced by very basic telecommunications services which can then be differentiated by valued added suppliers or the customer himself," he said.

Speaking during the closing sessions at the FT telecommunications conference, Mr McKendrick said there were unanswered questions about the impact of the Integrated Services Digital Networks (ISDNs) being developed in various countries by PTTs.

Mr McKendrick said that there might a "fundamental conflict" between whether an ISDN should develop as an expensive network offering a wide range of facilities or as a simple transport system to be adapted by users.

Users want standardisation and deregulation, because they promote competition. Standardisation of networks should not be allowed simply to protect the PTTs monopoly.

In the past, regulatory authorities had increased costs to customers by delaying technological change. Mr McKendrick said that the cost of installing a private area branch exchange (PABX) in Ireland's liberalised telecommunications market was half the cost of installing a similar system in Britain, before deregulatory moves associated with the privatisation of British Telecom.

European government agencies were some way from agreement about how to allow competition between value-added network operators, said **Mr Peter Smith**, international communications manager of Reuters.

"The real issue revolves around how the monopoly PTTs can permit entry into what is still established by statute in each country as their domain," he said.

The Netherlands has recently endorsed a recommendation to liberalise its market, partially dismantling the state telecommunications monopoly from 1989, he said. But "the dismantling of the monopoly structures is not a quick affair."

Mr William Rush, senior vice president for corporate communications at Prudential-Bache Securities, spoke of the risk of "information dyslexia" among telecommunications users such as his own company.

At Prudential-Bache information appliances outnumbered employees by two to one. Reliance on telecommunications imposed various extra burdens and risks.

Telecommunications are the second biggest factor in costs for a securities firm. Prudential-Bache spends $18,000 annually on telecommunications for each account executive.

A breakdown in communication even for a short period could have highly damaging effects, if "traders are left flying blind while the markets go marching on."

His company was taking steps to cut outlays on telecommunications by operating a satellite network next year to replace existing terrestrial networks in the US with the aim of a 40 to 50 per cent cost reduction.

The difficulty of forecasting future demands from business and other telecommunications users was stressed by **Mr Kalmann Schaefer**, president of Tel-Optik, which is building in association with Cable and Wireless, the British manufacturer, an undersea transatlantic optic fibre cable.

Mr Schaefer discounted the suggestion that there is already overcapacity on transatlantic lines, pointing to the fact that MCI, the US long distance carrier, had found that traffic on new lines to Canada had been far greater than anticipated.

Europe will face problems of over-capacity in telecommunications manufacture by the 1990s, said **Mrs Marisa Bellisario**, managing director and chief executive officer of Italtel, the Italian state owned manufacturer.

She told the conference that a recent West German study revealed that in the next decade the optimal yearly output of a telecommunications manufacturing plant would be about 1m lines. This would mean only seven to 10 such plants would be required within the European Economic Community. At present there were six in Italy alone, she said.

Lord Cockfield, vice president of the European Commission, said that industrialists had to press governments "to co-ordinate standards to produce a Europe-wide telecommunications market."

The European Commission is taking long-term action through its research in advanced communications for Europe (Race) programme to develop a single reference model for future advances in information technology.

There are potential pitfalls in a "premature effort of international rule-making," said **Mr Geza Feketekuty**, of the US Trade Representatives' Office.

The US wanted to take a "pragmatic and commercial approach" to shaping a new liberalised world telecommunications order, he said.

American markets were open to foreign telecommunications companies, while European markets were partially closed to American companies because of protectionism and the purchasing policies of state telecommunications monopolies.

China is still the world's largest potential telecommunications market, said **Mr Brian Pemberton**, chief operating officer, Far East, for Cable and Wireless.

This was in spite of the fact that in China the average monthly wage was $83; while the average telephone installation charge is $315.

Thatcher sees EEC 'benefits'

By Kevin Brown in London

THE EEC reform package negotiated by Community leaders at the Luxembourg summit will bring significant benefits for British business, Mrs Margaret Thatcher, the Prime Minister, told the House of Commons yesterday.

In a low key report to MPs, Mrs Thatcher went out of her way to underline Britain's position in the centre of Community opinion on reform, contrasting the British Government's willingness to compromise with the reservations of Italy and Denmark.

She complained repeatedly that there was a gap between the rhetoric of some Community governments and what they were prepared to do in practice.

Britain was ahead of some of the leading supporters of European integration in observing the provisions of the Treaty of Rome, particularly on financial and monetary matters.

"Part of our task has been to diminish their expectations and bring them down to practical matters" she told MPs.

Mrs Thatcher made clear that she believed most of the reforms agreed in Luxemburg could have been achieved without revision of the Treaty of Rome.

The Government had been ready in June to take the necessary steps to complete the internal Common Market, formalise foreign policy cooperation, and improve procedures for consulting the European Assembly.

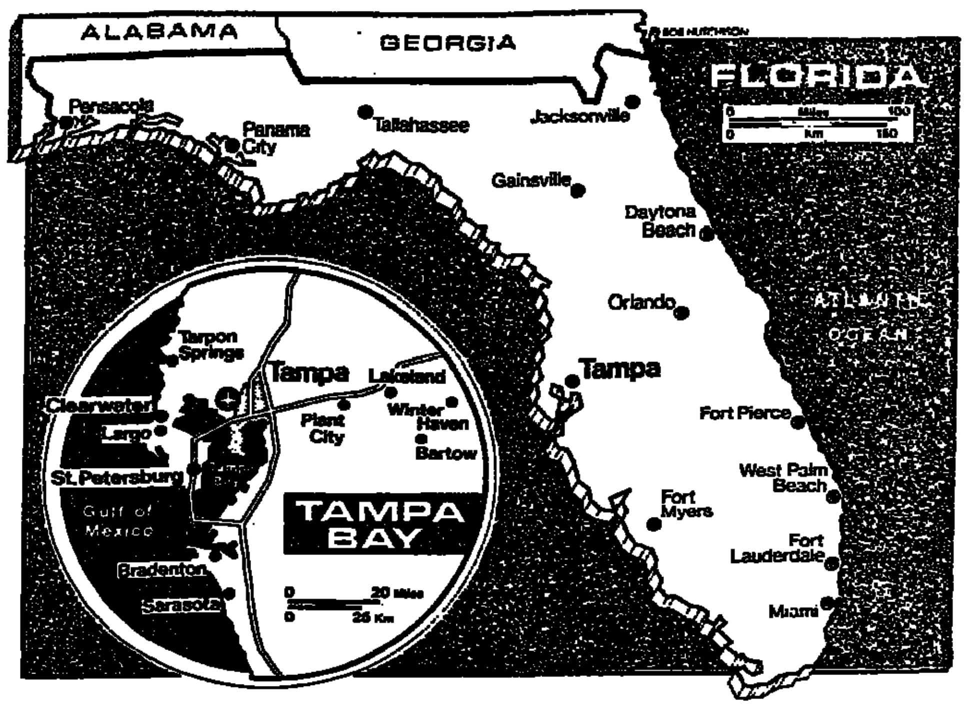
FINANCIAL TIMES SURVEY

Friday December 6 1985

Tampa Bay

Tampa Bay is one of the fastest-growing areas in the US. A warm climate and sound business outlook play an important part in its campaign to become America's next great city

Mr Bob Martinez, Mayor of Tampa: helping to boost the quality of local services



Towards a megatrend city

By WILLIAM HALL

THERE may still be a few businessmen in America who have escaped reading John Naisbitt's best-selling book, Megatrends, but it is most unlikely that any of them live in the Tampa Bay area.

Mr Naisbitt is a social forecaster who has been described as "one of the shrewdest observers of the changes sweeping America today," and he and Tampa have fallen in love with each other. Tampa caught Mr Naisbitt's eye because it is one of the fastest-growing cities in the US and Mr Naisbitt caught Tampa's attention after he concluded that "There are 10 great cities of opportunity in the US: Tampa and nine cities in the southwest."

Ever since then Tampa and Mr Naisbitt have been patting each other on the back. Local civic leaders proudly tell newcomers to the area that Tampa is the only "Megatrend city" east of the Mississippi River. Meanwhile, Mr Naisbitt has given the city another boost by announcing, in his latest book, that it is one of the ten best places in America to start a business, along with cities like Ann Arbor, Michigan; San Diogo, California; San Antonio, Texas; and Minneapolis-St Paul.

Mr Naisbitt cites factors such as outstanding quality-of-life advantages, a warm climate, an excellent economic outlook, a diverse and abundant labour supply and fast and convenient access to major markets, for his conclusion that Tampa is a "terrific place" to start a business.

He says that "a downtown resurgence unequalled in Florida" is turning Tampa into a "24-hour city." Its new Performing Arts Center will give it a much-needed cultural clout, and with a rich supply of firms in science and technological industries. Tampa is emerging as a "major research and development centre."

His conclusion must be music in the ears of local development officials. "Tampa plans to be a vital, economically sound member of the global economic community in the twenty-first century. It's well on its way. Although controlling growth has become Florida's number-one legislative objective, Tampa is not likely to slow its development pace—only temper it with some carefully laid plans."

Tampa has lapped up Mr Naisbitt's words of praise and has launched an aggressive advertising campaign by billing itself, "America's next great city." The Greater Tampa Chamber of Commerce has adopted a set of "goals for greatness" and the plan is that by 1987 Tampa will be calling itself "America's new great city."

The praise which Mr Naisbitt has lavished on Tampa has irked some of the neighbouring communities in the Tampa Bay area. St Petersburg, Clearwater, Bradenton and Sarosota are also growing quickly and have recruited their own list of admirers.

Tampa itself is not a particularly large city. It boasts a population of less than 300,000 compared with 2.5m in the six county area — Hillsborough, Manatee, Pasco, Pinellas, Polk and Sarasota — which is generally regarded as the Tampa Bay region.

Migration

Almost a third of the more than 300,000 people a year migrating to Florida move into the Tampa Bay area, making it one of the fastest growing major markets in the US. In terms of Metropolitan Statistical Areas (MSA), the 1.8m people in the Tampa-St Petersburg-Clearwater conurbation still lag well behind the 2.8m found in the Miami-Fort Lauderdale area, some 250 miles to the south, and the 2.2m in Atlanta, Georgia, 450 miles to the north.

The numbers are growing quickly. In the 10 years to 1980, Tampa-St Petersburg's population grew 46 per cent, a rate of growth which was bettered only by Phoenix, Arizona, and neighbouring Orlando, according to US census bureau figures.

First Florida banks, whose prosperity has been built on the back of Tampa's growth, says that by the year 2000 Florida's curent populaiion of just under 11m is expected to have grown by 50 per cent, making it the third biggest state after California and Texas and ahead of New York. Of the 5m extra people expected to move into the state, the majority will settle in the central and west coast areas. This is a major break with the past when cities such as Miami and Fort Lauderdale in South Florida, captured the lion's share of the newcomers.

According to the National Planning Association, a Washington-based research firm, Tampa Bay will lead the state of Florida in terms of numbers of new jobs by the year 2000 and in terms of the US it will rank 12th.

In the south-east it is running a close second to Atlanta, and its 457,200 new jobs put it slightly ahead of Fort Lauderdale and a long way ahead of Miami and Orlando, both of which are expected to add around 325,000 jobs between now and the end of the century.

Tampa has staked out its claim as the business hub on Florida's west coast, a 120-mile corridor which stretches across Florida. Miami will remain a more important financial centre, because of its international links, and Atlanta will retain its position as the business capital of the south east, mainly because of its transportation links, but in central Florida, Tampa has an obvious challenger.

Fine airport

The eastern end of the corridor is anchored by the high-tech and space related businesses of Cape Canaveral and in the middle lies Orlando, less than an hour and a half's drive from Tampa. Orlando is also experiencing spectacular growth but its economy is less diversified than Tampa's.

Tampa's physical advantages have been well rehearsed. It has one of the finest airports in the country, a major harbour which has been recently deepened and the final link in its interstate highway system should be complete early next year.

The University of South Florida, less than ten miles from downtown Tampa, is proving to be a major magnet for new high-tech industries. One of the biggest performing arts centres in the US is already half constructed and plans for a major new convention centre and a World Trade Centre in downtown Tampa, are well advanced.

Judging by the pace of construction activity which is transforming the local skyline, Tampa will soon have most of the paraphernalia associated with a major US city and to date it has escaped many of the problems which go with such rapid growth. It does not have the racial tension of cities like Miami and although the local transportation infrastructure is showing signs of strain, it is coping.

Mr Bob Martinez, Tampa's 51-year-old Republican mayor, who has set his sights on becoming the next Governor of the State of Florida, is widely credited with helping boost the quality of local services and he presides over a city council which appears remarkably keen to attract business to the region. He has managed to cut costs.

When talking about the rebuilding of downtown Tampa, Mr Martinez sounds just like one of the many big developers who have been attracted to this booming city. He tells of how he contacted Mr H. L. Culbreath, the chairman of Teco Energy, a leading local company, and outlined his plans for the new performing arts centre.

"I said neither one of us knows much about the performing arts centre. We have just got to build one. Both of us know how to raise money so let's go ahead and do it," Mr Martinez recalls. As a result of this conversation Tampa will shortly have what it believes is the finest performing arts centre, south of Washington's Kennedy Centre.

Close ties

While modesty is not a politician's best known trait, local business leaders all say that the close ties between the public and private sector have given Tampa a distinct advantage. Mr Parke Wright III, a senior executive of Lykes Brothers and a long time business leader, says that he does not know of a chief executive officer of any major company who is not on first name terms with others in the area.

He believes that this is an ingredient which will not be found in most other US cities. "We may compete like cats and dogs in our everyday business, but when we go out after a medical school or a major out-of-state employer, the whole gang gets together and it is pretty formidable." He can cite a long list of newcomers ranging from Metropolitan Insurance to the Tampa Bay Buccaneers football team, the 1-75 highway extension and the Hyatt Regency Hotel, whose arrival in Tampa owes a lot to this business partnership.

Local businessmen such as the late Chester Ferguson of Lykes Brothers, Mr George Gage, the former head of GTE in Tampa, and Mr William MacInnes, the former chairman of Teco Energy, are just a few of the local business leaders who have helped build Tampa's image over the years.

"Any city that is going to be a good city over the long run must have a mixture of all that goes to make a city viable, be it sports, arts and entertainment, as well as business," says Mr Culbreath of Teco Energy. Although the Tampa Bay region contains a string of communities all of which are within an hour's drive of each other, Tampa is the glue which holds it all together.

Six counties form super task force

Economy

THERE IS a certain amount of confusion over what should and should not be included in the local economy of Tampa Bay. Depending on who one talks to, the Tampa Bay region embraces anywhere between three and eleven of the surrounding counties.

Tampa, St Petersburg and Clearwater, located in Hillsborough and Pinellas counties on either side of the Tampa Bay, lies at the core of the local economy but the local metropolitan statistical area (MSA) also includes Pasco and Hernando counties to the north.

Some analysts argue that the area stretches even further north to Inverness in Citrus county and as far south as Arcadia in Desoto county. However, most analysts accept that the Tampa Bay region covers six counties — Pinellas, Hillsborough, Pasco, Polk, Manatee and Sarasota.

These are the six counties, with a population of about 2.5m represented by the "super task force to internationalise the Tampa Bay area" and the main cities of Tampa, St Peterburg, Clearwater, Sarasota, Bradenton and Lakeland are all within an hour's drive of each other.

Financial hub

Traditionally, the economy of the area has been based on agriculture, tourism and servicing the growing number of retired people who have flocked to the area. A quarter of the population of Pinellas county, for example, consists of senior citizens and in Sarasota and Pasco counties the proportion rises to around a third. By contrast the dominant age group in Tampa's Hillsborough county is in the 24 to 44-year-old bracket.

As a rough guide, Tampa is regarded as the commercial and financial hub of the region, while St Petersburg and Clearwater are regarded as more residential, and Sarasota and Bradenton are regarded as beach-resorts and retirement communities.

But generalisations can be dangerous. Siemens, the German electrical giant, has just finished building a $50m "heavy high-tech" plant near Bradenton, and more people are employed in manufacturing industry, for example, in Pinellas county than in Hillsborough county although the latter has the bigger labour force.

Leisure boatbuilding is an important local industry and Fairchild Weston Systems, part of the Schlumberger group, has a sizable presence in Sarasota, 90 miles south of Tampa, where it specialises in data processing equipment and control systems.

Although there are good grounds for arguing that Tampa Bay's fledgeling "high-tech" *industry will gravitate eastwards* towards east Tampa and the University of South Florida's campus, anecdotal evidence suggests that Pinellas county is far more important in this area than Tampa.

Honeywell Avionics and Sperry Electronics Systems, based in Clearwater, and General Electric in Largo are some of the major US corporations that have established a substantial presence in Pinellas county.

Florida Progress, the second biggest utility in Florida and the biggest local company is based in St Petersburg. Jack Eckerd, the drugstore chain, is headquartered in Largo as is Paradyne, the electronics group.

Tampa has its share of home-grown success stories such as Jim Walter, the home builder, and Teco Energy, the electric utility, but it is by no means the sole corporate base on Florida's fast-growing west coast.

Although agriculture, in particular citrus growing, and basic industries such as shipbuilding in Tampa and phosphate mining around the lakeland area remain very visible, their recent problems have only had a marginal *impact on the regional economy.* It is much more broadly based than it was 10 years ago, and this is one of its great strengths.

Mr H. L. Culbreath, the chief executive of Teco Energy, notes that at the start of the 1970s over 40 per cent of local electricity consumption was being consumed by industrial customers. Today the proportion is down to a quarter and the growth in electricity consumption, which is expected to average 4.5 per cent a year, is being fuelled by the growth of the service industries.

Mr Robert Cromwell, public affairs chief for the General Telephone Company of Florida, the largest employer in the region, is even more bullish about the region's growth prospects and says that his company expects the Tampa Bay area to grow twice as fast as the US economy over the next five years. Translated into figures, this projects a 6 per cent per annum growth rate for the Tampa Bay region.

GTE expects to invest $1.5bn in its Tampa Bay telephone operations over the next five years to service a customer base which is forecast to rise by a quarter. "I see no slowing of growth for the rest of this century," Mr Cromwell says.

Growth rate slows

At the University of South Florida, Mr Joseph Desalvo and Mr Noel Espinola, of the Centre for Economic and Management Research, are more restrained in their growth forecasts. They have constructed a bay area business index, which measures the growth of the Tampa Bay MSA. In 1984, they estimate that the bay area grew by 6.8 per cent and for the first half of 1985 it has been growing at an annual rate of 5.9 per cent, more than double the national rate of growth.

Over the last few months, however, they have noted a slowing in the pace of Tampa Bay's growth. They see this as temporary but over the longer term they do see some constraints to the above average growth rates of Tampa Bay.

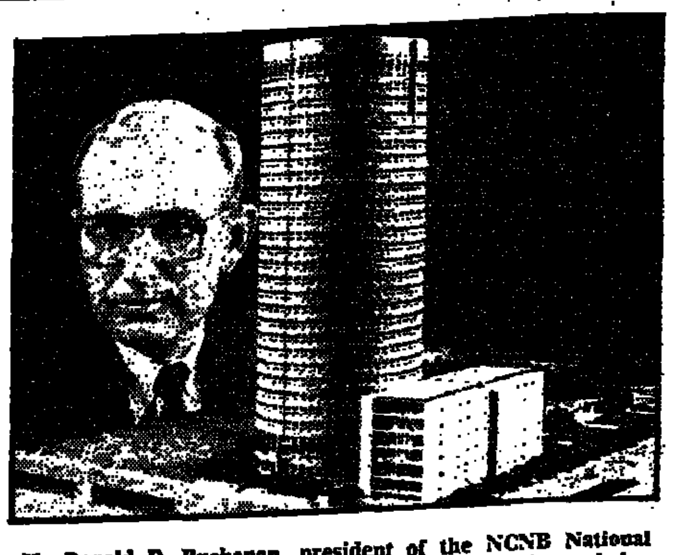
"As more people move here, *the cost of living will rise*, wages will rise and business will find it is not as attractive area as it was 10 years ago," says Mr Desalvo. "This flow from the snowbelt to the sunbelt is not forever."

Tampa Bay's major public companies

Company	Market capitalisation $m	Revenue $m	Net income $m	Headquarters	Business	No. of employees
Florida Progress	1,314.5	1,349.5	115.8	St Petersburg	Utility	7,018
Jack Eckerd	1,071.0	2,822.5	85.4	Largo	Retail	36,300
Teco Energy	917.5	716.6	97.7	Tampa	Utility	3,300
Jim Walter	811.3	2,287.8	97.0	Tampa	Building products	17,700
First Florida Banks	467.4	n.a.*	51.3	Tampa	Bank Holding Company	3,356
Scotty's	197.2	424.5	18.1	Wntr Haven	Building materials	5,350
Florida Federal	172.0	n.m.	16.6	St Petersburg	S and L	1,558
Paradyne	160.9	290.0	11.0	Largo	Data Communications	4,042
Florida Steel	113.5	286.1	6.7	Tampa	Steel	2,000
Home Federal	70.6	n.m.	3.1	St Petersburg	S and L	550
American Shipbuilding	69.6	117.3	4.8	Tampa	Shipbuilding	3,500
Fortune Financial	63.4	n.a.*	4.1	Clearwater	S and L	600

* Not available

Research associate: Rivka Nachoma.



Mr Donald D. Buchanan, president of the NCNB National Bank of Florida and a model of a $90m Florida HQ now being built in downtown Tampa

Bigger role in financial services

Banking

BARNETT BANKS has nearly completed a 42-storey office tower in downtown Tampa and NCNB Corporation has just broken ground on its new 30-storey Florida headquarters a few blocks away. Both moves symbolise Tampa's increasingly important role in the financial services industry.

Tampa has always had a strong banking community *which has grown up to service* the port and the area's commerce but the pace of expansion, and competition in the local banking business has accelerated of late.

All Florida's major banks have an important presence in the Tampa Bay area and an increasing number of out-of-state banks and even a few foreign banks like Lloyds Bank International and Bank of Credit and Commerce International are now flexing their muscles in the local market.

Mr Ben Atkins, director of International Commerce at Hillsborough County Aviation Authority, estimates that there are more than 80 savings and loans and 85 banks competing for $25bn of bank deposits and savings deposits. The flow of wealthy retired people to the area has led to increasing competition for their savings and the growing number of new businesses has led to a rising demand for quality corporate lending.

According to the Tampa Tribune, the top five financial advertisers in order of importance in its area in 1984 were Barnett Banks, Park Bank, NCNB, Citibank and Chase Manhattan. While the advertising figures do not necessarily reflect the most important institutions in the local community they do give a clue to where the competition is coming from.

Among the big banks operating in Tampa, the new boy on the block is NCNB Corporation from North Carolina. It moved into Tampa just under three years ago and has been expanding rapidly through acquisitions It is now one of the largest banks in the state of Florida with over 200 offices.

Barnett Banks with 320 offices and Sun Bank with 274 offices are still larger but according to Mr Don Buchanan, head of NCNB National Bank of Florida, it will not be long before the group's Florida operations will be larger than its traditional North Carolina base.

"We will be approaching $7bn by the year end, making us the fourth largest bank in the state, which is not bad going in two and a half years," says Mr Buchanan, the architect of NCNB's Florida growth strategy which he is directing *from his* Tampa headquarters.

"In our first year we increased our commercial loans by 58 per cent in the second year it was 45 per cent and the third year it is 30 per cent," he says.

Compared with NCNB, the Tampa-based First Florida Bank is very much the elder statesman in the local banking community. It started life as the First National Bank of Tampa over 100 years ago and its fortunes have been tied to the city's economic success.

Despite its age First Florida is one of the most profitable banks in the US and has a sizeable 13 per cent share of the *market in those markets in* which it is involved. It has avoided the pitfalls of international lending and is working to improve its competitive position in the central Florida corridor.

Mr John Wulbern, president of First Florida, notes that in terms of its 1.21 per cent return on assets it *is Florida's* most profitable bank.

Mr Wulbern says that he has noticed some reduction in the pricing of certain commercial credits which he attributes to the increased competition of new banks like NCNB but says that First Florida's overall margins have remained steady. Unlike some of his rivals, he is not overly dismayed by the out-of-state competition which his bank faces.

First Florida has a strong customer base which has led to speculation that at some stage it might be the target of a takeover. After the announcement of takeover talks between Barnett Banks and Southeast Bancorporation, First Florida is the last remaining major bank not to have formed an alliance with a bigger bank.

If, and when, it chooses to do so will depend very much on the Lykes family which controls more than a third of its equity. *First Florida is not the* only local financial institution to attract the interest of predators. Florida, the biggest local savings bank which in terms of assets is bigger than First Florida, has also been the subject of takeover rumours.

Several big investors have taken sizeable positions in its shares and *unlike First Florida*, Florida Federal's management cannot point to a sterling financial performance over the years to justify its continuing independence.

Leading Foreign Operators

Company	Country	Year of investment	Location	Workforce	Product	Parent company
Alumax Extrusion	Japan	1970	Plant City	243	Aluminium	Amax and Mitsui & Co
Cement Products	UK	1972	Clearwater	500	Concrete Blks	Consolidated Gold Flds
Chloride Batteries	UK	1974	Tampa	1,170	Batteries	Chloride Group
Davy McKee	UK	1971	Lakeland	158	Engineering	Davy Corporation
Fotomat	Japan	1985	St Petersburg	9,000	Photographic supplies	Konishiroku (62%)
Gardinier†	France	1973	Tampa	1,200	Phosphate	Gardinier
National Sea Products	Canada	1980	Tampa	300	Seafood	National Sea Products
Schlumberger-Fairch'd	France	1957	Sarasota	870	Data	Schlumberger
Siemens-Allis	Germany	1977	Clearwater	260	Industrl Mtrs	Siemens
Smiths Industries	UK	1969	Bradenton	350	Aerospace	Smiths Industries/ Kelvin Hughes
Tarmac Roadstone	UK	1981	Tampa	1,500	Ready mix concrete	Tarmac
Taylor Woodrow Hms	UK	1976	Sarasota	231	Construction	Taylor Woodrow
Westminster Florida	UK	1980	Bradenton	425	Printing	Westminster Press

† On October 21 1985 Cargill signed an agreement in principle to pay $84m for 80% of Gardinier's stock.

Research associate: Rivka Nachoma.

PROFILE: SIEMENS

Plant cost $50m

SIEMENS, the German electrical engineering giant, is the sort of foreign investor that most local economic development officials can only dream of attracting to their area. It is one of the biggest single employers ever to move into Florida and its decision to transfer a large part of its business from the "rust bowl" to the "sunbelt" is a wonderful free advert for the Tampa Bay area.

Siemen-Allis, which is majority-owned by Siemens, has just finished building a $50m plant to produce huge electric motors and generators on a grenefield site on the north side of the Manatee river about 25 miles south of Tampa.

The new plant, which has just shipped its first generator, employs 380 people and expects to increase its workforce to 550 by mid-1986.

The choice of Tampa Bay was not completely accidental. Utility Power Corporation, a sister company owned by Siemens' Kraftwerk Union, has been involved in the area for many years and in late 1977 bought a 260-acre site with the intention of manufacturing large steam turbines for the US electric utility industry. But the market collapsed before the plant was ever built and Siemen-Allis, a joint venture between Siemens and Milwaukee's Allis Chalmers, stepped in and transferred its large motor and hydro-generator operations from Milwaukee to the new site.

Mr Robert Monaghan, manager of employee and community relations at the new plant, says that his company combed many sites throughout the south east, including Atlanta, the home of Siemens-Allis' corporate headquarters, before picking the current location, across the river from Bradenton.

Several factors swayed Siemens' executives, Mr Monaghan says, including good transportation links, a very co-operative attitude by both state and local officials and an attractive location for the employees who were being transferred from Milwaukee.

Official help with the cost of training and fast approval of potentially troublesome bits of red tape, such as pollution control permits, are praised by Siemens.

Concerns about education facilities and the cost of real estate were the major worries among the staff, Mr Monaghan says, but Manatee county was able to make a convincing case for itself and some 87 per cent of those who were asked to relocate to Florida, took up the offer.

Siemens has no regrets about its choice and local officials were *overjoyed* by the move. "Siemens is the 23rd largest company in the world and its move has attracted attention to the area," Mr Robert Bartz, president of the Manatee chamber of commerce, says.

Europe provides bulk of success stories

Foreign Investment

FOR FOREIGN investors, Tampa Bay is still something of a frontier area. Some individuals and companies have done very well by investing in the area. Others have not been so lucky.

While Tampa is growing quickly and working hard to educate overseas investors, the region is still not as well known as places like Miami, Atlanta and Dallas. Mr Parke Wright a senior executive of Lykes Brothers who has worked long and hard to put Tampa on the map, admits that considerable work still needs to be done to get Tampa's message across ovreseas.

"We realised about six years ago that the whole international game in Florida was in the south east. Over 100 multinationals were located down there, they had a great air service and we were fast asleep in international business."

To remedy this, Parke Wright, along with other businessmen, set up the "super task force to internationalise the Tampa Bay area." From the beginning they accepted that if their efforts were to bear fruit, they had to sell the whole region to the world at large and not just Tampa.

Sales missions

Business leaders from St. Petersburg, Clearwater, Sarasota and Bradenton were invited to join the sales missions overseas. More recently, they have joined forces to establish the Tampa Bay International Trade Council.

Tampa's first efforts to sell itself overseas were quite a shock "The average European felt that Florida was Miami and Disneyworld was in the suburbs of Miami," Parke Wright says with a smile. Today when the task force sets foot in Europe it no longer needs to spend a lot of time explaining where it is on a map of Florida.

"*You can go anywhere in* financial circles in Europe these days and they can tell you what the absorption rate is on property on Tampa's west shore, or what is happening out near the university" Mr Wright says.

One of Tampa's first foreign success stories was Taylor Woodrow, the big UK construction business. It has been building homes in Sarasota for some years and more recently has been expanding its property development operations in the Tampa area.

Mr Nick Shackleton, the president of Taylor Woodrow Property Company (Florida), says that his company was attracted by Tampa's "pro-business attitude" and its openness to outsiders. While he does not hide the cut-throat nature of the local property business, Mr Shackleton says there was a "genuine welcome" when Taylor Woodrow opened for business in Tampa..

There were several other reasons why Taylor Woodrow came to the Tampa Bay area. "There is still federal money coming into the area; they are still building freeways and improving the infrastructure," says Mr Shackleton.

In addition, Tampa has an excellent airport and is a relatively inexpensive place to live. "For $130,000 you can buy a very nice home here," he notes. The climate is far more acceptable than in a city like Houston, and Tampa does not have the potentially difficult racial problems of a city like Miami, which is dominated by its Hispanic community.

Figures on the flow of foreign investment into the Tampa Bay region are impossible to find, but there is already more foreign participation in the local economy than is sometimes appreciated. At an individual level, Florida's west coast has always been a popular area for Canadian and European tourists and some foreign money has been channelled into buying apartments.

Overseas institutional investors have also been active in the local real estate market. "We have done deals with the British *Coal Board and the Church of* England," says Mr Michael Hogan, the Tampa-based partner of Lincoln Property, one of the area's biggest and most successful developers.

Mr Ben Atkins, director of International Commerce at Hillsborough county aviation authority and a key figure in selling Tampa Bay overseas, notes that Dutch pension fund money helped finance the new Ashley Tower in downtown Tampa, and Scandinavian and Dutch investors are financing a new shopping centre in the heart of Sarasota.

Sizeable stakes

While Siemens' new manufacturing facility some 25 miles south of Tampa is the most talked-about recent foreign investment in the Tampa Bay region, a number of other foreign investors have long held *sizable stakes in the local community.* Several well-known UK companies, such as Smiths Industries and Chloride, have important local operations, and GB-Inno-BM, a Belgian group, has a substantial stake in Scotty's which operates a chain of 124 building materials and hardware stores.

To date, Japanese investors have not been as visible in the Tampa Bay region as they have in other parts of the US south-east. Apart from the Japanese interest in the phosphate industry, there are a couple of notable exceptions. Japan's Showa Research Institute has an operation in St Petersburg and Konishiroku Photo Industry, a Japanese group, came to the rescue of Fotomat, the St Petersburg photofinishing company which operates 2,200 retail outlets across the US.

The bulk of the foreign investment in the area has come from Europe. "We have not made the progress in Japan that we have in Europe," admits Mr Atkins, but he believes that this will change as Tampa gets its message across.

University of South Florida plays key role

IF CALIFORNIA has its silicon valley, then Florida has its silicon girdle, which is anchored in the west by Tampa/St Petersburg and stretches across the state to Orlando and Cape Canaveral space complex, some 200 miles to the east.

Opinions vary as to the importance of the high-tech industry to the Tampa Bay region. Several well known companies such as General Electric, Sperry, Honeywell, and E-Systems are major employers in the area and intent on expanding.

Honeywell, for example, has three local divisions making strategic guidance systems for weapons and control systems for satellites, the space shuttle and military aircraft. It employs 4,500 people in Pinellas County and although it has one million square feet of manufacturing space is said to be looking for more so that it can meet its growing defence order book.

The Tampa-based General Telephone of Florida is investing heavily, installing fibre optic cable and experimenting in St Petersburg with a fibre optic distribution cable going into the neighbourhood and being converted to electronic signals by a switch located in a house.

There are a number of local companies such as Paradyne Corporation, which produces data communications equipment, and Reflectone which makes flight simulators, which have already made their mark at a national level. In the area of medical high-tech, Johnson and Johnson's Critikon operation is headquartered in Tampa and Medical Technology Development (Medtech), an interesting US-Soviet joint venture to manufacture and sell eye-surgery equipment, recently opened for business on the other side of the bay.

It will manufacture products developed at the Moscow Research Institute for eye microsurgery, and is an interesting example of the sort of high-tech companies being attracted to Tampa Bay. Mr Arnold Lipman, Medtech's chief executive, expects to be employing 250 people within 18 months time.

After looking at possible sites in more than half-a-dozen states, Medtech chose Pinellas County because of its proximity to Tampa international airport, the repeal of Florida's unitary tax, the relatively low cost of living and the lack of a state income tax.

Notwithstanding the above examples, Tampa Bay's high-tech industry is still in its infancy but local officials are working hard to develop what they believe is a great potential.

The region may not be as close to the space related businesses on Florida's west coast as Orlando, say, but Tampa Bay is a pleasanter place to live, argue officials.

High technology

A key element in Tampa's high-tech ambitions is the University of South Florida (USFL), which has been growing rapidly and has been investing heavily in areas such as medicine and engineering.

Dr Tom Wade, the newly appointed associate Dean for research at USFL's college of engineering, says that when he left in 1976 USFL had 9,000 students. Today it has 28,000 students and unlike some of Florida's other universities, it has the advantage of having a considerable amount of high-tech industry in its backyard.

"High-tech industries are definitely moving to Florida and the Tampa/St Petersburg area," says Dr Wade who heads CEDAR which is short for Centers for Engineering Development and Research.

"We have five technology parks within five miles of the campus," Dr Wade says. He is convinced that the corridor along the nearly completed 1-75 highway, will develop into Tampa's answer to California's Silicon Valley or Boston's Route 128, home of some of America's most successful high-tech companies.

Cedar was founded to create an environment for promoting cooperative efforts between high technology companies and USFL. Its key objectives are to provide an efficient mechanism for conducting joint research projects with industry, to make faculty expertise available to local industry, and to enhance project- and research experience of engineering students.

"Ideally we would like to take the research findings in the university and convert them into marketable products," Mr Wade says.

Dr John Lott Brown, the president of USFL, is an enthusiastic supporter of his university's role as a breeding ground for new high-tech companies. He has played a key role in encouraging the development of technology parks around the outskirts of the university.

USFL is building its own research and development park on an 80-acre site on the south-west corner of the university campus. It is in the process of endgaging a commercial developer to develop the park and market it to corporate clients who want to be close to the university.

"They will be able to use our students as supporting technicians, our faculty as consultants and their scientists will have access to our computers and library."

To the north of the university, local developers have put together some 15,000 acres and much of this land has been earmarked for research and development parks, says Dr Lott Brown. While the university will not have as much control over the clientele and direction of these technology parks, local developers are working with the university.

"Everybody looks to the research triangle in North Carolina" as the most successful venture to date in this area, Dr Brown says. He notes that nearly every university around the US is trying to copy the example.

"Most of them are doomed to failure. We hope ours is not. We are off to a good start," he says.

Loading rock phosphate at Tampa port, the seventh largest in the country

Area is major supplier for making fertilisers

GIVEN TAMPA'S efforts to boost its international image, it is easy to overlook the fact that a third of the world's supply of phosphate rock, which is used to make fertilisers, is mined within a 75-mile radius of Tampa.

With two of the major local producers sheltering in chapter XL of the US bankruptcy code and most of the others cutting back production, the local phosphate industry does not fit in with Tampa Bay's energetically projected growth image. Phosphate rock mining is a dirty and unsightly business. Nevertheless, it is a major economic force in the local economy and will remain so for many years to come.

Mr Gil Lytch, a vice president of the Tampa-based Phosphate Rock Export Association, says: "Florida will dominate the supply of phosphate well into the next century." Based on present prices and technology it has exploitable reserves of 700m tonnes, and the US Bureau of Mines has estimated that it has a potential reserve base of 2.4bn tonnes. Over $8bn has been invested in Florida's phosphate business and despite the industry's short-term problems the major players are not going to walk away.

Phosphate rock has been scooped out of the open cast mines in central Florida for almost 100 years and is the main reason why the port of Tampa can boast today that it is the seventh biggest port in the country—phosphate-related products accounted for 94 per cent of all of Tampa's outbound cargo last year. About half of the rock is turned into fertiliser in Florida and a third is exported to more than 30 countries round the world.

Phosphates

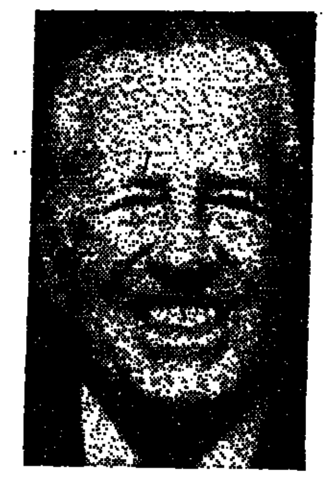
The bulk of the production is concentrated in open country, south of Lakeland and mainly in Polk County, although expansion is planned for north and south Florida. Typically, a phosphate mine is spread over 20,000 acres and local producers control over 1,000 square miles of land. The biggest producer is International Minerals and Chemicals Corporation and there are several well known multinational companies such as Amax, W. R. Grace and Mobil.

The industry has attracted some foreign investors. Gardinier, a French group, took over a struggling phosphate mine in Polk County in 1973 and built it into the sixth biggest US producer. However, it has run into financial difficulties and earlier this year it filed for protection under Chapter XL of the US Bankruptcy Code and in late October Cargill, the privately-held agricultural conglomerate, announced that it had signed an agreement in principle to take an 80 per cent stake in the group.

Zen-Noh, which is owned by Japanese farm co-operatives, has bought a two-thirds interest in the local Watson mine in a move designed to ensure a stable supply of fertiliser.

Employment in Florida's phosphate industry peaked at 14,600 in 1980 when 43m metric tonnes of phosphate rock was produced. Last year output slipped to 37.9m tonnes and the numbers employed had fallen to 12,000 with another 60,000 jobs estimated to be dependent on the local industry.

Gil Lytch does not deny that the local industry is under a cloud at present. Despite its dominant position in the world phosphate industry, Florida is suffering from a proliferation of competition in its major export markets which is being fuelled by excess supply, and the problems of US agriculture which have hit local demand. A strong dollar and weak world prices are taking a heavy toll on one of Tampa Bay's traditional industries.



Mr Charles P. Lykes, chairman and chief executive of Lykes Bros.: the family is part of Tampa's success story

PROFILE:

LYKES BROTHERS

Family empire of $1bn

LYKES BROTHERS, has been a fixture of the Tampa Bay business community for close to a century and over the years a succession of its senior executives have played a key role in the revitalisation of the city of Tampa and the region's economic progress. No chronicle of Tampa's success story would be complete without mention of the Lykes family, whose power and influence in the local community is considerable.

Ask any of the old timers in Tampa, who helped put the city on the map, and the name of the late Chester Ferguson, who headed the Lykes Brothers' empire for many years, will almost certainly be mentioned.

Chester Ferguson married the daughter of one of the original Lykes brothers and for more than two decades, until his death in 1983, presided over the ups and downs of the family business, as well as being one of Tampa's most forceful civic leaders.

The rebuilding of downtown Tampa, the city's new performing arts centre and rapid growth of the University of South Florida, which now holds the key to Tampa's dream of becoming a "high-tech" centre, are due in large part to the energetic efforts of Mr Ferguson.

Today, his nephew, Mr Tom Rankin, and his son-in-law Mr A. Bronson Thayer, have inherited much of his power in the Lykes family empire and his daughter, Mrs Stella Ferguson Thayer, is a powerful figure in one of Tampa's most prominent law firms, Macfarlane Ferguson, Allison and Kelly.

Cattle fortune

Dr Howell Tyson Lykes, the founder of the clan, moved into Tampa just before the end of the last century and built his first fortune in the cattle business. The outbreak of the Spanish-American war led to a shortage of meat in Cuba and soon Dr Lykes and his seven sons had moved into the shipping business, transporting cattle from the family ranches, north of Tampa, to Havana.

In 1910 the seven sons established Lykes Brothers which remains today the cornerstone of what is probably Florida's biggest privately owned group, and certainly one of the most secretive. Its interests range from banking (First Florida Banks), to meat packing and citrus (Lykes-Pasco Packing) real estate and insurance.

The family remains a big cattle rancher, owning several hundred thousand acres of land around Lake Okeechobee in south Florida as well as having substantial property in Texas.

Forbes Magazine, which once a year counts America's family fortunes, estimates that more than 200 members of the Lykes family, govern an empire worth "at least $1.1bn." As with most wealthy dynasties, the Lykes family has had its share of the good and bad times.

In the 1950s the family decided to spin off its shipping business into a public company, in which it retained a sizeable stake, and by the 1960s it had had embarked on the takeover trail, acquiring Youngstown Sheet and Tube, a company six times its size some 1,000 miles to the north.

By 1974, Lykes Corporation was earning over $120m a year on sales of $1.8bn. But this was the highpoint in the group's public fortunes and after the slump in the US steel industry, Lykes merged with LTV Corporation, in 1978, in a bid to strengthen the two groups' ailing steel operations.

Although Lykes was a third the size of LTV, its shareholders ended up with a majority of the shares in LTV and Charles Lykes, the chief executive of the privately-owned Lykes Brothers, and A. Bronson Thayer, another member of the family, still sit on the LTV board.

One of the family's most visible crown jewels is First Florida Banks, a highly profitable and well-managed institution, which is one of the last banks in the state remaining independent. If the family members were to sell their stake of more than one-third, they could expect to raise close to $200m.

Boom needs high absorption rate

Real Estate

TAMPA'S ECONOMIC success has been reflected in a real estate boom which has attracted *many of the country's* leading developers and radically altered the local skyline. Lincoln Property, Paragon and Trammell Crow are among the best-known developers leading the charge into Florida's second biggest property market.

The most dramatic sign of the real estate boom which has *been under way in downtown* Tampa for several years is the $1bn Harbour Island development. Three years ago, it was a 177-acre eyesore and home of a disused railroad shipping terminal. Today, there is a 300-room luxury hotel, a 196,000 sq ft office building and 108,000 sq ft of small shops and restaurants all of which are connected to downtown Tampa by a sophisticated "people-mover."

The first phase of a planned 4,600 apartments is nearing completion and eventually about 14,000 people are expected to make their home on the island. Another 3,000 are expected to work in the 1m sq ft of corporate office space which will be built over the next decade.

With an eye to the success of projects, such as Boston's Faneuil Hall, Harbour Island's developers are hoping that their festive marketplace will attract people from the suburbs and prevent downtown Tampa from going to sleep after the close of the business day.

The pace of activity on Harbour Island is mirrored all around the Tampa Bay area. New office buildings and industrial parks are sprouting up everywhere. The biggest performing arts centre, south of Washington's Kennedy Centre, is already half constructed and plans for a new convention centre and a world trade centre are well advanced.

Mr Ken Good, one of the most aggressive of the developers to enter the Tampa market, recently bought the 5,400-acre Tampa Palms, which is located near the University of South Florida — an area billed as one of the hottest development spots in the local market. He plans to build 13,500 homes plus offices and a golf course.

According to Mr Ben Atkins of the Hillsborough County Aviation Authority, at least *3.9m sq ft of new office space* is under construction in Hillsborough County and another 1.1m sq ft of new space is under way in Pinellas County. Of the total existing office space of around 15m sq ft, roughly two-thirds is in Hillsborough Country.

Warning lights are beginning to flash, however, in the offices of some of Tampa's more enthusiastic developers. The surge in new building has exceeded demand and vacancy *rates are above the national* average. According to Coldwell Banker, a real estate broker, 27 per cent of the office space in Tampa's suburbs, including *Pinellas County, was empty in* the third quarter of 1985. This compares with a national average of 21.2 per cent vacancy rate for suburban offices.

In downtown Tampa, 16.8 per cent of offices are empty which is also above the national average. This overall vacancy rate for Tampa and its suburbs was 24.8 per cent, compared to a national rate of 19.6 per cent, says Coldwell Banker.

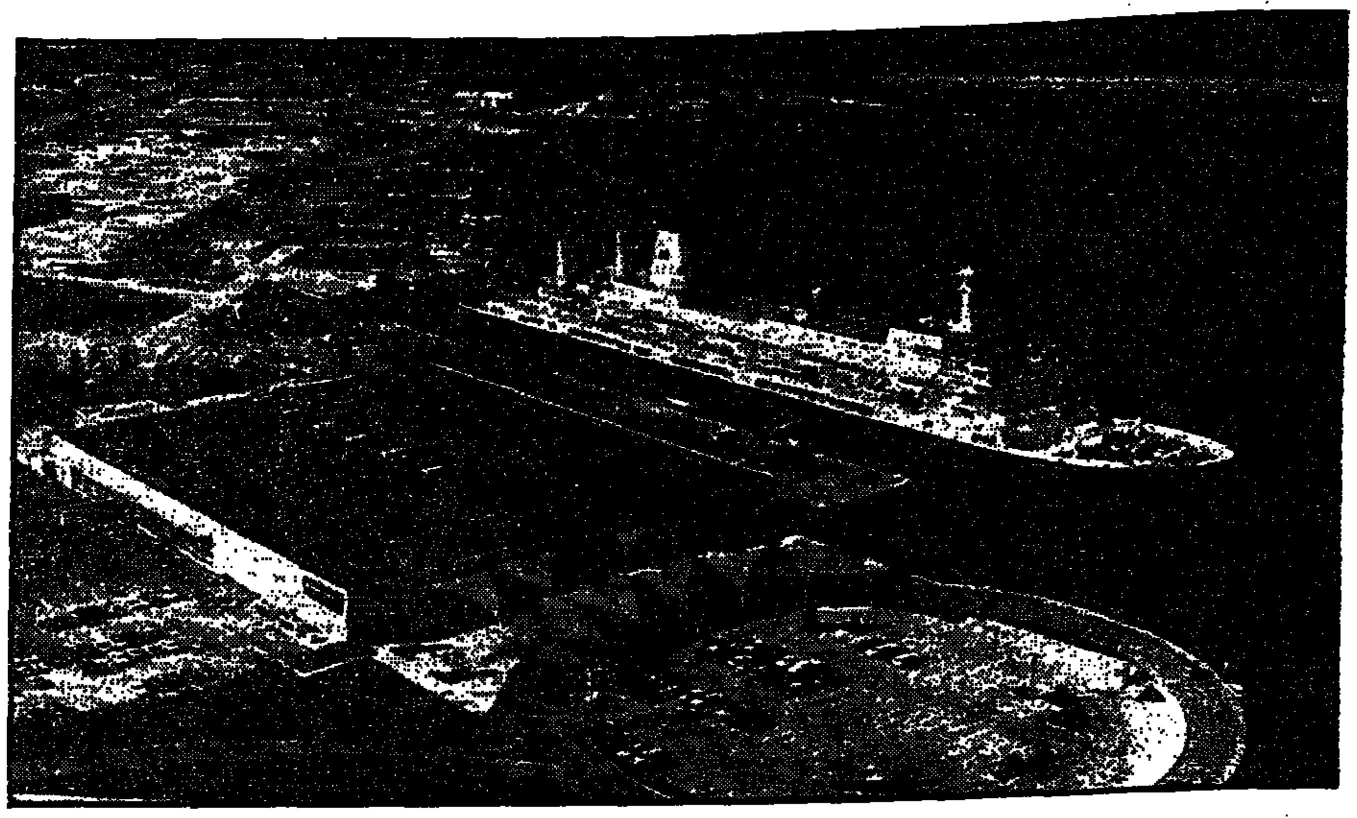
The only cities with higher vacancy rates are Denver, Fort Lauderdale, Houston, Orlando, Phoenix and Sacramento. Meanwhile in downtown St Petersburg, 29 per cent of the 1.9m sq ft of office space in the central business district is empty.

Mr Mike Hogan, who heads Lincoln Property's Tampa operation, admits that excess supply is a problem at the *moment.* "*But* Tampa, unlike some Florida markets, continues to have a very strong absorption rate," he says. He estimates that the rate of absorption of new property in the Tampa area has quadrupled to 1.2m sq ft a year over the past eight years.

Mr Hogan estimates that it will take one-and-a-half to two *years to absorb the recent new* additions to office space in the Tampa area and quickly dismisses the argument that Tampa is about to follow in the footsteps of former highflying US office markets like Houston, and suffer a serious office slump.

"The big difference is that Houston was extremely dependent on the energy part of the economy. Tampa has an extremely diversified economy," he says.

Mr Nick Shackleton, president of Taylor Woodrow's *Florida operations,* agrees with Mr Hogan that while vacancy rates in Tampa are approaching the 30 per cent level, the problem is manageable. "Houston has got about 40m sq ft of vacant space. Tampa has perhaps 3m sq ft and absorption rates continue to climb. Five years ago this city was absorbing 250,000 sq ft a year. Now, Westshore alone will probably absorb 1m sq ft this year," Mr Shackleton says.



Tampa's new cruise ship terminal

$52m Performing Arts Center

Of all the construction going on in downtown Tampa, the city's proudest project is its $52m Performing Arts Center which is being built on a nine acre site on the Tampa waterfront.

Mr H L Culbreath, the chief executive of Tampa Electric who is chairman of the board of trustees of the new centre, says that it will be the finest performing arts centre south of the Kennedy Center in Washington. "It is a wonderful combination of private money and effort and public money," Mr Culbreath says. "*It is going to add* a wholly different dimension to Tampa."

When plans for the new arts centre were first being *drawn up in 1980, its trustees* set themselves the ambitious objective of building a "first-class performing arts centre of landmark quality that will meet the existing and growing artistic, cultural and educational needs" of the citizens of the Tampa Bay area well into the 21st century.

On completion, the 290,000 square foot building will house three separate halls. The festival hall will be capable of seating 2,400 people, and will be used for performances of symphony orchestras and Broadway musicals, for example. There will also be a 900-seat playhouse and a smaller 300-seat studio theatre.

Mr H L Culbreath: Arts Center is a wonderful combination of private *money and effort and public* money

In the first few years of operation the centre expects to average 500 performances a year with the potential for up to 1,000 performances a year.

Local business leaders agree that support for the Tampa Bay Performing Arts Centre features a community spirit unmatched in Tampa *before, and argue that* Tampa's successful mixture of public and private sector partnership helps explain why the city has become such a magnet for new investment.

The city of Tampa has raised $41m for the centre by issuing two revenue bonds and the balance has come from the private sector with an average $150,000 per month of new money continuing to pour in according to Mr Culbreath.

Mr Culbreath is fairly *typical of the local business* leaders who are working to get Tampa's message across to the world at large. He has spent most of his working life at Teco Energy, the holding company for Tampa Electric, and has been the group's chief executive for over a decade.

Where sunshine is bankable

Tourism

FLORIDA'S WEST coast is renowned for white sand beaches, crystal-clear seas, and an abundance of sunshine, say the publicity handouts, and if you are in any doubt about the last point, check with the management of St Petersburg's evening newspaper, which is given away free when the sun *does not shine.*

The St Petersburg evening independent has kept its promise for over 75 years and is still in business. St Petersburg *is the capital of the Pinellas* suncoast and with an average temperature of 71 degrees fahrenheit (22 degrees celsius) the sun shines an average of 361 days a year along its 28 miles of beaches.

Indeed, St Petersburg even rates a mention in the Guinness Book of World Records with the world's longest run of consecutive sunshine—768 days from February 9th, 1967 to March 17, 1969.

Officials keep close tabs on the sunshine figures since this *is what has always sold the* suncoast. While the local tourist business has been overshadowed by the spectacular growth of the tourist complex of Disney World just over 100 miles to the east. The local tourist industry has a loyal following and the sunshine keeps bringing people back.

Slightly over three million visitors come to the Pinellas suncoast every year and spend upwards of $1.6bn. The biggest contingent comes from the mid-west, followed by the northeast and then Canada. The citizens of Toronto and Montreal have long had a soft spot for the west coast of Florida and Canadians account for *close to a fifth of the sun*coast's visitors.

European visitors, accounted for less than 10 per cent of the total in 1984, but their numbers *are volatile. They come and go* depending on the exchange rate.

Last June there were a third fewer European visitors than the year before and in July the number was some 50 per cent down. But then the value of the dollar began to crumble and foreign tourists, led by the British, flocked back.

The Pinellas suncoast has *maintained an office in the UK* for several years, and the British, followed by the Germans *are frequent return visi*tors to the area. The more wealthy maintain homes in the area.

There are three distinct seasons for the local industry. The prime and the most expensive tourist period, runs between January and April. This is when the hotels and motels of resorts like Dunedin, Indian Rocks, Tarpon Springs and Treasure Island, are filled with older and more affluent Americans and Canadians who come south to escape the winter snow.

April tends to be the peak month for visitors with over half a million visitors pouring into Pinellas county alone.

The May to August period is regarded as a shoulder period when families tend to come to the area. *Prices for hotel and* motel rooms drop by around a fifth from their winter peak. The off-season is from September to December. This is when many European visitors arrive attracted by average room rates which can be upwards of 25 per cent cheaper than peak season rates.

According to Pinellas tourist *officials lodging* costs range from $20 to $110 per night with an average room rate of $37.45 throughout the year.

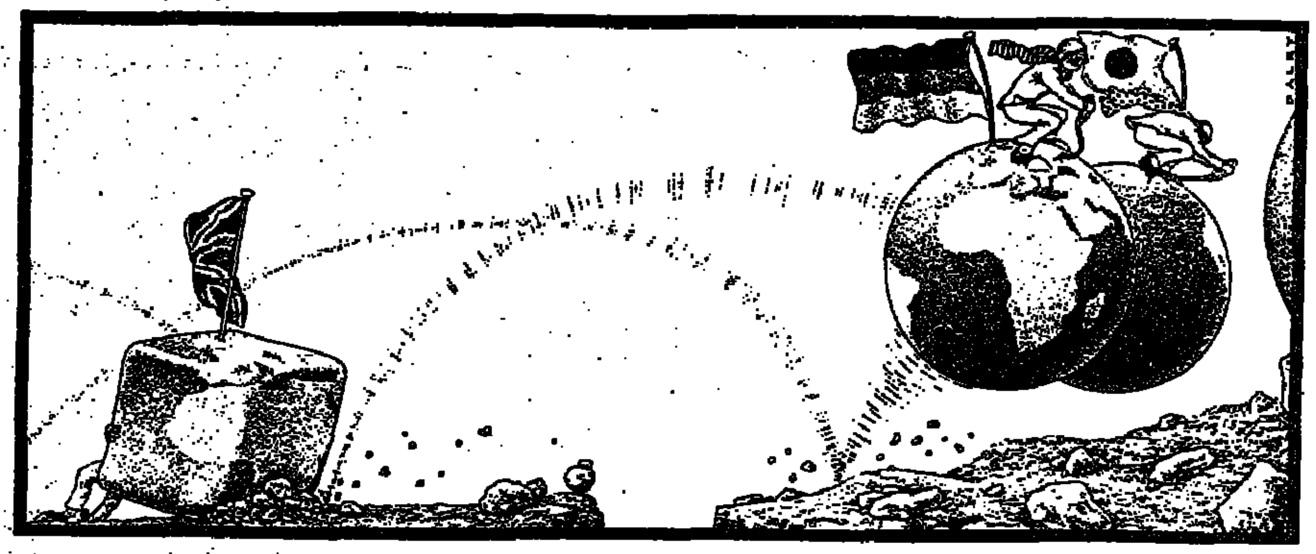
The bulk of the local tourist *industry* is concentrated in Pinellas county which boasts over 20,000 hotel and motel rooms. Hillsborough county has another 12,000 rooms but demand for accommodation is less cyclical than in the case of Pinellas and most of the new hotels are being built to service the commercial sector. Sarasota has just under 4,000 rooms and Manatee county *has another* 2,000 rooms.

The number of tourists coming to Pinellas has hovered around the 3m mark for several years and *although the* [illegible] tourist industry is more mat[illegible] than some of the businesses being attracted to the region, local officials see scope for piggy-backing off the phenomenal success of Orlando's Disneyworld.

They are working to attract tourists who will stay in Pinellas and take advantage of its beaches while visiting Disneyworld, which is about an hour and a half along the freeway.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Why UK multinationals fail to meet the global challenge

Christopher Lorenz examines a study which stresses the importance of market domination

MOST British multinational companies lack the necessary vision and drive to be successful in the tough new world of global competition. They are too small by international standards, and too many of them are in exposed industries with uncertain growth prospects. They tend to be poorly structured and excessively reliant on growth by acquisition rather than by internal innovation. Their belief in the superiority of their technology is, for the most part, an illusion.

Apart from a handful of multinationals such as Shell, BP, ICI, Unilever and a number of smaller specialists, "all too few British companies have fully come to terms with the new era of global competition," warn the authors of this provocative litany of ills, Professor John Stopford and Louis Turner of the London Business School.

In a searingly critical study of "Britain and the Multinationals," which was published last week, the LBS duo complains that, rather than fighting aggressively to become a world leader in their industry, as is the case with most Japanese and many American companies, "far too many of the larger British firms have been content to settle among the followers . . . or to seek niches that may not prove to be defensible." Yet any position short of leadership "promises ultimate failure."

These shortcomings apply not only to manufacturers, but also to banks and other service companies, claim Stopford and Turner. "As the City goes through its regulatory 'Big Bang' the chances are that British companies will not be able to strengthen their positions fast enough to fight off the much larger predators from the US.

Rather than unleashing an epidemic of managerial defeatism throughout British business, the two academics hope their controversial analysis will stimulate the release of new dynamism and skill. They claim that, despite their negative tone, they are "basically optimistic about the potential future competitiveness of British multinationals."

To demonstrate that the tide can indeed be turned, they point to the recent revitalisation of companies such as ICI and Courtaulds, and to the global strength of smaller multinationals such as Morgan Crucible in steel crucibles, APV in process plant and Interox in peroxide chemicals. But they warn that the path to global leadership — and thereby survival — is a long and arduous one. As the Japanese have shown in consumer electronics, and America's Citicorp in financial services, "competitive success stems from sustained attention to being more efficient and innovative than competitors over several decades."

Stopford and Turner describe as "an enormous challenge" the management of the shifts in perspective, priority, policy and organisation which are needed within any multinational if it is to cope with the emergence of global competition. For European companies, they say the challenge is particularly intense "because they have to overcome weakness at home at the same time as they need more aggressive stances worldwide to pre-empt competitors where they can."

Among the Europeans, the British seem especially badly placed to meet this challenge, according to the LBS duo. Unlike most of their international competitors, they must not only learn new skills, but unlearn old ones left over from the days of protected markets and uncompetitive products.

Many UK companies also have to try to compete abroad despite suffering the handicap of a ruined domestic base. "With a strong home market the changes are difficult to achieve; with a 'black hole' in one's backyard they call for exceptional managerial skills."

"Britain and the Multinationals" is an unusually ambitious and thoughtful study, written with a refreshing lack of the usual business school "strategy jargon." Its analysis of managerial issues occupies only half the densely-packed book; the rest is devoted to an examination of the effects of outward and inward investment on the British economy (see yesterday's news pages).

In one sense, Stopford and Turner's analysis of the harsh realities confronting British multinationals (and purely domestic companies) is straightforward. The globalisation of competition is occuring in industry after industry, they point out. The international business environment is being irrevocably changed.

"The essence of global competition," they argue, "is that a firm's competitive position in one country can be directly affected by its own actions, and those of its competitors, in other countries." So the traditional luxury of being able to manage a multinational on a loose, country-by-country basis (or even region-by-region) is rapidly disappearing. Activities must be co-ordinated much more closely so that international scale—and cash flows —can be used as strategic weapons against the competition.

Among Stopford and Turner's explanations for the slowness of many British companies in seizing international opportunities is the need first to put their domestic houses in order. (In one of many provocative asides in the book, they question whether certain companies, such as Grand Metropolitan, have actually gone too far in the opposite direction, by cutting back at home in order to expand overseas.

The reasons given by the book for Britain's multinational ills — and some of their consequences — are many and complex. They include:

- Compared with their foreign counterparts, the British are "heavily skewed" towards relatively low-technology industries such as tobacco, drink, building materials, paper, textiles and hotels. Companies in these sectors face more competition, and growth is more dubious, than in the newer, highly research-intensive industries. "It is unnerving for British observers to see their electrical giants being outranked by tobacco and food giants."
- The long-term benefits to Britain of foreign investments by UK multinationals in consumer products and many services are less than they would be in technology-driven industries. The former tend to be managed on a "local-for-local" basis, with management, expertise and resources supplied locally. There tends to be a greater degree of international integration within companies in the second category, with a strong consequent "headquarters benefit" to the parent company in terms of investment, jobs and exports.
- The oil giants apart, too many UK multinationals are small by their industries' international standards. Their robustness against the new forces of global competition is therefore questionable.
- Too many leading British companies lack the vision and controlled commercial aggression that drives the best Japanese and American companies to combine technological excellence and global ambition with strength in distribution and all the other dimensions of a leadership strategy. Shell sometimes gives the impression of doing this, but UK companies more typically fail fully to capitalise on a technological lead. The LBS duo are highly critical of Pilkington, EMI and Sinclair on this account.
- Too many British companies still have the illusion that they are technological leaders. Though ICI and the pharmaceutical companies are honourable exceptions, real rates of UK spending on R and D have been dropping over the past decade. "Complacency is leading ultimately to self-defeating blindness."
- Older industries are being mistakenly written off as unsusceptible to regeneration through new technology. In Britain, pumps seem to be considered as "metal-bashing," while competitors in West Germany and elsewhere are applying the latest thinking in fluid dynamics and materials sciences to create new products. "Small wonder that British trade in such industries is suffering."
- Using technology merely to lower production costs only buys time. For long-run competitiveness, it should also be used to develop the new products that companies need to take the offensive on world markets.
- Companies run risks "when they substitute acquisition for fundamental investment in better product design." GEC's $100m acquisition of A. B. Dick of the US in 1979, with its subsequent need for drastic surgery, "is a good illustration." More generally, "the years of narrow financial controls which have made GEC one of Britain's most financially impressive companies" may have stifled in many of its divisions "the kind of aggressive, technologically sophisticated management which is now needed."

As well as putting these ills to rights, say Stopford and Turner, companies must pay more attention to organisational development: structure, values, communication, training, rewards and all the other factors. As they point out, getting people of different experience and cultures to pull together is particularly hard when foreign expansion has been by acquisition, as in most British companies.

In trying to make up for lost time in "going global" — whether through exporting or foreign operations, whether on their own or in collaboration with a foreign partner — large British companies should learn from their smaller brethren. The success of companies such as International Paint (part of Courtaulds) and APV "point to a vitality in British industrial management that is often overlooked.

"The successful companies are all led by men who understand global competition in detail, who have invested heavily in information systems, and who personally value the power of technology. They have built teams of managers who share these values."

* *Published by John Wiley, £12.75*

Maintenance

A sorry picture

By DAVID THOMAS

SENIOR managers in UK manufacturing industry have a blind spot—how they organise their maintenance departments. They moan about it. They think it is staffed by people not up to the job. And they get poor performance from it.

Yet they do nothing about it. Indeed, many senior managers see their maintenance departments as such a backwater that they cannot even be bothered to keep proper information on them.

These depressing conclusions come from a survey of 90 works or factory managers and 48 directors of medium size manufacturing companies. The full survey is to be published in Works Management magazine next week.

Having an effective maintenance unit has arguably become more important as new technologies are being introduced, traditional craft skills are merging and companies are straining to improve quality and output. Yet the importance of efficient maintenance is not reflected in reality.

Among the principal findings of the survey are the following:

- Poor performance. About two-thirds of companies operate a mend-it-when-it-breaks policy, yet almost three-quarters complain that their maintenance departments do not have a proper planned maintenance system — roughly the same results as Works Management recorded in a similar survey two years ago.

Worse still, almost half of factory managers complain that their maintenance departments lack spare parts, a fault which can obviously increase maintenance times. This is a significantly worse figure than that revealed in 1983.

- Poor information. Fully 60 per cent of companies, according to the survey, do not know how long or for what reasons their machines are out of action. A similar number could not identify the annual maintenance costs of their production machines.

Many manufacturing companies lack the most basic information needed to assess their maintenance departments. According to the survey, many companies judge their maintenance department on its ability to respond to breakdown, whereas the more important test should be its ability to prevent breakdowns.

As Works Management argues, an effective monitoring system should be able to check whether routine servicing is effective, identify recurring faults, assess machine reliability and check whether problems are caused by rogue machines or rogue operators.

- Poor managers. The survey shows that maintenance managers in medium-sized manufacturing companies run departments that cost £500,000 a year on average. Yet they are poorly paid, poorly trained and from a background that is unlikely to set the world alight.

A quarter of companies pay maintenance managers less than £10,000 a year, with a further third paying less than £12,000. Some 58 per cent of companies regard them as middle managers, with 15 per cent seeing them as junior managers.

Just over half (55 per cent) of companies said their maintenance managers had attended a training course during the previous two years, but 39 per cent said this was to learn about a new item of plant. So the training was technical, not managerial.

The need for managerial training can be seen from the background of maintenance managers. Eighty-three per cent were formerly shopfloor craftsmen, with only 17 per cent chartered engineers.

- Poor staff. A third of companies believe that their maintenance staff have inadequate skills. Their long-serving electricians cannot get to grips with the newer electronic technologies. When they retire, they will be replaced by skilled electronic engineers.

Works Management says: "This shows tremendous loyalty or a very strong trade union structure, but little appreciation of the effect this has on the business."

The overall picture is of a very traditional arm of the factory quite unprepared to deal with the twin pressures of new technology and the breakdown of demarcations between crafts. Worse still, during the recession many companies have seen their maintenance departments as a soft touch for staff cuts and financial savings.

Appointments

THE PROPERTY MARKET BY MICHAEL CASSELL

Hammerson Group tidies up

HAMMERSON is paying £21m to buy out its last remaining minority interests in Australia, a move which paves the way for the UK property group to win a long-awaited listing on the Sydney and Melbourne stock exchanges.

The all-share deal means that Hammerson's worldwide activities are now almost completely free of minortiy interests, with just one or two left in the UK. Sydney Mason, Hammerson chairman, has recently been busy tidying up the international portfolio and the Australian move follows a similar exercise there in 1982, when it paid £30m to buy out interests held jointly with Australian Mutual Provident Society.

This time, in exchange for shares, Hammerson is assuming full ownership of two of the most important properties in the Australian portfolio—Communications House in Melbourne and Shell House in Sydney.

Communications House, on William Street, is the 347,000 sq ft headquarters of Australian Telecom and a 29 per cent interest in the 20-year-old but recently refurbished building was until now held by National Mutual Life, Colonial Mutual Life and Crusader Insurance. The present lease expires in two years' time.

Shell House, the 160,000 sq ft office building developed in the early 1970s is in the heart of the Sydney banking district and within 150 yards of the Reserve Bank of Australia. Shell Australia has a 10-year lease and occupies around one-third of the floorspace. Hammerson is acquiring the 50 per cent interest it does not already own from National Mutual Life. Both properties are fully let.

The purchases have been approved by the all-powerful Foreign Investment Review Board, but not before it has extracted certain conditions from the UK-based property group.

Mason has had to give an undertaking that, within three years, not less than 18.7 per cent of the company's Australian portfolio — valued in 1984 at just over £300m — will be owned by Australian investors. The AMP deal in 1982 took the figure to 7.5 per cent and the latest acquisitions push it up to 10 per cent.

To help reach the magic — if somewhat mystifying — figure, Mason expects to achieve an Australian quotation for the British group sometime in the Spring. The level of interest from local investors is unlikely to be wildly enthusiastic, however, given the current impact of a weak Australian dollar on Hammerson's performance.

The other mechanism for meeting what is apparently deemed to be the acceptable level of "Australianisation" would be to issue further shares to an institution when the group next acquires a property investment.

If Hammerson does decide to buy anything new in Australia, where 20 per cent of its property assets are now located, it not only has to get the usual clearance but it will have to accept that an agreed proportion of each investment will, within a pre-determined timescale, have to be owned by Australian investors.

There must be times when groups like Hammerson wonder whether Australian investment is worth the effort, particularly in view of the poor performances put up by both the local property market and the local currency.

But Mason remains heavily committed to Australia, even if most of the recent momentum has come from Canada and, increasingly, from the UK, where his ambitions are again growing. Along with ten other major developers, for example, he is waiting to hear which of them has won the bid for the Post Office site in London's St Martins le Grand. The project, with land acquisition costs, could effortlessly consume anything up to £150m.

No such ambitions Down Under at the present time, although Mason would not be indisposed towards the acquisition of a major property operation if he found one that was friendly and could be steered through the FIRB. In the meantime, more improvement work is being carried out on Warringah Mall, Sydney, one of the county's biggest shopping centres and a refurbishment programme is underway on offices in Collins Street, Melbourne.

Question mark over role of surveyors

THE forthcoming Financial Services Bill, setting out the framework for City regulation and investor protection, should be of more than passing interest to many of Britain's chartered surveying practices.

A central theme of the Bill, to be published in a few days, will be the requirement for investment managers to be authorised in order to do their job. But the position of external property managers for life company and pension funds so far seems to have been overlooked.

The original White Paper on the subject did not mention the subject of property as an investment. The proposed definition of investments related to pieces of paper such as stocks and shares, life policies and unit trust certificates. Investment in bricks and mortar was not mentioned, so the assumption has been that authorisation would not be required for property investment.

However, the regulatory body for investment managers—the Investment Management Regulatory Organisation (IMRO)—has been considering the position of property managers vis-a-vis other investment managers and has identified an anomaly.

All in-house investment managers of life companies, pension funds and other financial institutions, including property managers, will need authorisation. External equity, fixed-interest and other securities managers will also require authorisation. But nothing has been said about the external property investment manager.

It would seem logical for these managers to be authorised by the appropriate Self-Regulatory Organisation, otherwise there is a gap in the regulations.

But the authorities have failed to distinguish between property companies and property funds. The former are not deemed investments as such—the investor buys their shares. But the latter represent investment direct into bricks and mortar.

Imro has identified the problem but as yet has done nothing else. It is waiting for the Bill and its definition of investment business—a definition that will be crucial.

The major estate agents would almost certainly oppose authorisation of this part of their business by an external agency, although the procedure would most likely be a formality.

Where an investment manager belongs to a professional body with standards of competence and a code of business conduct at least equal to that of the regulatory body, authorisation would follow. It would simply mean further administration.

ERIC SHORT

Upsurge in investment

A MARKED upsurge in the level of interest in direct property investment has been recorded in recent weeks, according to Healey and Baker, the chartered surveyors.

Healey and Baker, which reports a modest, upwards movement in yields on all types of prime property during the last quarter of 1985, says that the reawakening of interest seems to stem not so much from an expectation of abnormally high growth rates but rather the relatively bearish, medium-term predictions for equity and gilt markets. There is, it adds, confidence that, in the short-term at least, property will match other investment media.

● Property and Reversionary has paid Courtaulds pension fund £4.5m for a portfolio of five freehold shops located in East Grinstead, Newbury, Bridgewater, Liverpool and Glasgow. The fully-let portfolio shows an initial yield of just under 5 per cent and is highly reversionary. Hillier Parker acted for Courtaulds and Hill Welsh and H and L and A. Rubens represented the buyers.

● J. Henry Schroder Wagg is taking 16,000 sq ft in Regina House, Queen Street, City of London, at a rental of about £29 a sq ft. Richard Ellis acted for Ghana Commercial Bank, which has refurbished, and partly occupies, the building.

British Land picks up another package

AFTER a six-month courtship, British Land's blandishments this week finally won over The Equitable Debenture and Assets Corporation.

EPAC, the low-profile, private property group with the high-sounding title, owns a useful mix of retail and office assets and has been built up over the years by Asher Shane and his family. Now they want to call it a day.

The Shane family's efforts have built up a portfolio valued in June at £22.6m, not to mention over £5m in cash. While several property groups were believed to be keen on stepping in, British Land put its notoriously effective tax expertise to work to enable it to come up with the best deal.

The terms include a cash payment of £18.5m and a further £1.35m payment when remedial works are concluded on International House, an 80,500 sq ft office building in Ashford, Kent, which has had problems with faulty curtain walling and a flat roof. Land will itself supervise the improvement works and hand over the cash when they are completed to its satisfaction probably within the next year.

David Cohen, a British Land director, says there are about 30 properties involved, with values ranging from £100,000 to over £4m, and that as much as half the EDAC portfolio might eventually be sold on. Eventual disposal of the trading properties being acquired should itself raise around £4m, although Land is unlikely to do anything quickly: "We are in no rush. The portfolio is washing its face very nicely and we will take our time," says Cohen, who emphasises that there are already several offers on the table for some of the properties.

For its money, Land gets three shopping centres—The Broadway, Plymstock, comprising 47 units let to names like Woolworth, Boots and Currys, the Waterdale Centre, Doncaster, a pedestrianised precinct comprising 45 shops and 24,000 square feet of officers and Coronation Square, Cheltenham, which has 35 shops and just over 9,000 square feet of offices.

There are only two industrial investments, in Doncaster and Peterlee, County Durham, and a smattering of secondary office and retail properties around London and in locations like Reigate and Romfort. The acquired yield already stands at just over 13 per cent and Land recokons it will be nearer 15 per cent within the next two years.

According to Cohen: "The Shanes had built up a very useful, nationally spread portfolio, the sort which offers us a good return and the opportunity to get much more out of it in years to come

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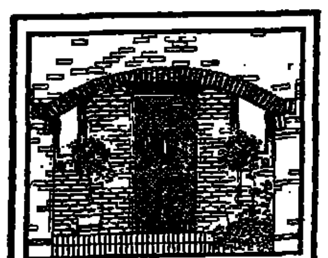

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US$40,000,000 8% Convertible Subordinated Guaranteed Debentures due 1995 "Convertible Debentures"

In Accordance with Paragraph 4.03 of the Trust Indenture, notice is hereby given that the company has elected to redeem all outstanding Convertible Debentures on January 15, 1986 at a redemption price of 100 per cent. of the principal amount thereof together with accrued interest to the date of redemption. The Convertible Debentures should be presented to one of the Paying and Conversion Agents, with coupon due December 15, 1986 ASA.

Interest on the Convertible Debentures will cease to accrue on January 15, 1986.

Coupons due June 15, 1986, which should be presented in the normal fashion, will be payable on or after the redemption date in the amount of US$6.67 per coupon.

Applicable Conversion price is Can$23¼ per common share (With a fixed rate of exchange applicable on conversion of US$1.00 = Can$1.2007) and the closing price of the common shares on the Toronto Stock Exchange on December 3, 1985 was Can$18.00 and the Conversion rights will cease on the Redemption date.

Principal Paying and Conversion Agent

Orion Royal Bank Limited
1 London Wall, London EC2Y 5JX

Paying and Conversion Agents

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, PO Box 2205
Luxembourg

Swiss Bank Corporation
Aeschenvorstadt 1, CH4002 BASEL

December 6, 1985

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

Company Notices

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

Registration No. 01 05309 06

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER

PAYMENT OF COUPON NO. 104

With reference to the notice of declaration of dividend advertised in the Press on 29 November 1985, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 50 cents per share was declared in South African currency. South African non-resident shareholders' tax at 6.942 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 43.058 cents per share.

The dividend on bearer shares will be paid on or after 24 January 1986 against surrender of coupon No. 104 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:

Credit du Nord,
6-8 Boulevard Haussmann,
75009 Paris

Banque Bruxelles Lambert,
24 Avenue Marnix,
1050 Brussels

Generale de Banque,
3 Montagne du Parc,
1000 Brussels

Swiss Bank Corporation,
1 Aeschenvorstadt,
4002 Basle

Union Bank of Switzerland
Bahnhofstrasse 45,
8021 Zurich

Banque Internationale a Luxembourg S.A.,
2 Boulevard Royal,
Luxembourg

Banque Generale du Luxembourg S.A.,
14 rue Aldringen,
1118 Luxembourg

Payment in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 17 January 1986 at the United Kingdom currency equivalent of the rand currency value of their dividend on 23 December 1985; or

(ii) in respect of coupons lodged after 17 January 1986 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 35 cents per share in terms of sub paragraph (b) above arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	50.000
Less: South African non-resident Shareholders' tax at 13.884%	6.942
	43.058
Less: U.K. income tax at 16.116% on the gross amount of the dividend of 50 cents	8.058
	35.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
J. C. Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

5 December 1985

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 16.116% instead of the basic rate of 30% represents an allowance of credit at the rate of 13.884%.

aac

MAFINA B.V.

AVIS

Notice to Bondholders

Loan 1973-1988 4½%

US$ 75,000,000

Bondholders are informed that the redemption of the third annual instalment at 1st January 1986 of US$9,600,000 has been effected by purchases and consequently no draw by lot will take place.

Amount remaining in circulation as at January 1st 1986 US$38,400,000.

Banque Internationale a Luxembourg
Societe Anonyme

Luxembourg
29th November 1985

BANQUE NATIONALE DE PARIS

US$400,000,000 subordinated floating rate notes due 1999

The applicable interest rate for interest period from December 5 1985 up to June 5 1986 determined by the Reference Agent is 8⅝ per cent per annum namely US$423.40 per bond of US$10,000.

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557

RM
RAND MINES

RAND MINES LIMITED

(formerly:
Transvaal Consolidated Land and Exploration Company Limited)
Registration Number 01/00656/06
(Incorporated in the Republic of South Africa)

A Member of the *Barlow Rand Group*

PAYMENT OF COUPON NO. 93

With reference to the Company's profit announcement and dividend notice advertised in the press on 31st October 1985, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 2nd December 1985.

Payments will be made against coupon no. 93 on or after 7th January 1986 in U.K. currency at the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the Securities Department of Hill Samuel & Co. Limited, unless coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deductions are made the net amount of the dividend is as follows:

	South African Currency per Share (Cents)	U.K. Currency Equivalent per Share (Pence)
Amount of dividend declared	265.00	67.70980
Less: South African non-resident shareholders' tax at 15%	39.75	10.15647
	225.25	57.55333
Less: U.K. Income Tax at 15%		10.15647
		47.39686

Secretaries of the Company in the United Kingdom:
Charter Consolidated P.L.C.
40 Holborn Viaduct
London EC1P 1AJ

5th December 1985

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:

Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 15% instead of at the basic rate of 30% represents an allowance of credit at the rate of 15%.

Christmas Gifts

GIVE THE PRESENT that could be worth £250,000! Premium Bond Gift Tokens —for the chance of a fortune. At your Post Office now in a new range of attractive designs. So easy to send— so good to get.

Contracts & Tenders

ALGERIE - الجزائر

THE PEOPLE'S DEMOCRATIC REPUBLIC OF ALGERIA

MINISTRY OF CULTURE AND TOURISM

NATIONAL CINEMATOGRAPHIC AND AUDIO-VISUAL PRODUCTION COMPANY — ENAPROC —

NATIONAL & INTERNATIONAL INVITATION TO TENDER

A National and International invitation to tender is being launched for:

—A feasibility study for a Production Centre for cinematographic and Audio-Visual films.

This invitation to tender is intended for companies and research departments specialising in cinematographic and Audio-Visual fields, with genuine professional references relating to the aforesaid.

Companies interested may obtain the specifications once this notice is published from: —Direction Générale de l'ENAPROC, Immeuble les Asphodèles, Ben-Aknoun ALGIERS. The final date for receipt of tenders is fixed at 45 days from the first publication of this notice in the national daily papers.

Offers accompanied by the appropriate fees and professional references must be sent in a double sealed envelope to the above address.

The outer envelope should be sealed and should not bear any mark that may identify the tenderer, and, in order not to be made void, should read as follows:

"NE PAS OUVRIR — APPEL D'OFFRES INTERNATIONAL"
"OFFRE ETUDE DE FAISABILITE POUR LE C.P.F."

The inner envelope should be sealed and contain all the documents relating to the offer. Tenderers shall be bound by their offer for a period of 180 days with effect from the closing date of this notice.

anep/alger

APPOINTMENTS

Northern Bank chairman

Sir Desmond Lorimer, chairman of Lamont Holdings, a textiles, engineering, property and computer services group, has been appointed chairman of the NORTHERN BANK, the Midland Bank subsidiary which operates in Northern Ireland and the Irish Republic. Sir Desmond, a chartered accountant, has been a director of the Northern since 1983 and deputy chairman since January. He will step down at the end of the year as chairman of the Northern Ireland Industrial Development Board which he has led since its inception in 1982. He replaces **Mr Stuart Graham**, who is retiring from the bank chairmanship after three years.

Sir Desmond Lorimer

★

The following have been appointed to the board of STEVENS ENVOPAK SERVICING, a joint company formed by C. Stevens & Son (Weighing Machines) and Envopak Group. **Mr Eric Scriven** (chairman), **Mr Tony Wilkinson** (managing director), **Mr Mark Day, Mr A. J. Ching** and **Mr T. G. Clark.**

★

Mr George Magan has joined the board of CCA GALLERIES, trading as Christies Contemporary Art. He is a director of Morgan Grenfell & Co and a senior member of its corporate finance department. Morgan Grenfell was financial adviser to CCA at its USM listing.

★

Mr H. Astley Whittall has been appointed deputy chairman of TURRIFF CORPORATION and will succeed **Mr Charles Turriff** as chairman during the coming year. Mr Whittall is chairman of B.S.G. International, and Ransomes Sims and Jefferies; other non-executive directorships include A.P.V. Holdings. He also serves as chairman of the Engineering Industry Training Board.

★

Mr Alan Penny has been appointed managing director of DPCE COMPUTER SERVICES, principal UK subsidiary of DPCE Holdings. He replaces **Mr David Travers**, who for the past 18 months has held this post as well as that of operations director of the DPCE group. Mr Travers will continue as group operations director, and in January will take over as group managing director. Mr Penny was formerly commercial director of Elstree Computing, a computer services subsidiary of John Laing.

★

EMI MUSIC WORLDWIDE has made a number of senior executive appointments in its international music operations. **Mr Peter Buckleigh** is appointed managing director, EMI Music, New Zealand. Previously marketing director, EMI Records (UK), he has most recently been resident director, EMI Music in Japan. **Mr David Snell**, previously managing director, EMI New Zealand, is appointed director technical resources, EMI Music Europe & International, based in London. **Mr Guy Deluz** is appointed EMI Music's resident director in Japan, transferring from the position of managing director EMI-Odeon in Brazil. Succeeding him in Brazil is **Mr Luis Boaventura**, currently director A&R and marketing of EMI-Odeon. **Mr Roel Kruize** has been appointed A&R and marketing director, EMI Music Europe & International, based in London, from January 6. He was managing director, EMI Bovema, in Holland and most recently vice president and managing director, record division, Capitol Records—EMI of Canada. Mr Kruize succeeds **Mr Helmut Fest**, who recently became managing director, RAK Records, in the UK.

★

Mr John Walker has been appointed an executive director of YORKSHIRE CHEMICALS from January 1. He will combine his new wider responsibilities with his present role as chief executive of Yorkshire Colours.

★

Mr T. S. (Tom) Garnier, group managing director of KALAMAZOO, has additionally been appointed chairman following the retirement of **Mr W. F. Younger.**

★

Mr Richard N. Ridley has been appointed chief financial officer from January 1 of LOWE MARSCHALK WORLDWIDE, an international advertising agency network being formed by Lowe Howard-Spink Campbell-Ewald (Holdings). He joins from Saatchi & Saatchi Compton where he was financial director.

★

Mr Andrew Hamilton has been appointed resident non-executive director in Scotland of WADLOW GROSVENOR INTERNATIONAL, with specific responsibilities for the development of business in Scotland.

★

NATIONWIDE BUILDING SOCIETY has appointed **Mr Brian Phillips** as director. He joined the Society in 1967 as finance officer and is currently general manager (finance and management services).

CONTRACTS

£20m work on Brae B

Marathon Oil UK has issued four telexes of intent to two Scottish companies for additional construction work on the Brae "B" platform. Total value of the contracts is about £20m and work begins immediately. Three orders have gone to **HIGHLANDS FABRICATORS** at Nigg Bay to build the flare jacket, bridge and tower, and the infill legs between the main "B" jacket and the module support frame. Highlands Fabricators is already constructing the module support for the Brae "B" platform. The other telex of intent has gone to **McDERMOTT** at Ardeseir who will fabricate the piles for the main "B" jacket and the flare jacket. McDermott is already constructing the Brae "B" jacket and two compression modules which will house four centrifugal injection compressors for the gas recycling system. The Brae "B" platform will be 155 miles north-east of Aberdeen over the North Brae field, the first gas condensate field to be developed for recycling in the UK North Sea. The project calls for one of the largest gas processing facilities ever to be installed offshore. Jacket placement and installation is scheduled for 1987 and the platform is due to come on stream in late 1988.

★

Swan National Rental has placed an order for 250 **AUSTIN ROVER** cars and estates for its Scottish self-drive hire fleet. The order is worth £1.3m at showroom prices and covers Metro 1.0L, Maestro 1.3L, Montego 1.6L saloons and estates and the Rover 216S.

★

CAP has won a contract for the supply of a complete computer integrated manufacturing system for Shell Lubricant UK's new oil blending complex at Stanlow. Total value of the contract is over £5m and delivery will be during 1986 and 1987. The system consists of CAP-developed software, Hewlett-Packard computer equipment and Allen Bradley control equipment. The computer network will control and supervise all the equipment on site: automatic blending, weighing and filling equipment; automatic guided vehicles; and automatic stacker crane s. The system is vertically integrated for flexibility and customer responsiveness — the administrative computer, containing production management and scheduling functions, is linked directly with the computer control of plant equipment via a network of supervisory computers. The plant process is also horizontally integrated, involving a complete material flow through the complex from base oils to final products leaving the plant by road trailer and tanker.

★

BABCOCK AUSTRALIA has been awarded a £3.7m contract to design, supply, erect and commission a power station at the plant of the Tasmanian Electro Metallurgical Company (TEMCO) at Bell Bay, Tasmania. The TEMCO plant provides manganese alloys for the Australian steel industry and for export markets. The power station will be fuelled by waste gas from three of the four existing ferro-alloy furnaces at the plant. Previously, this gas, which has a heating value about 20-25 per cent of that of natural gas, has been flared direct to atmosphere without any heat recovery system. When the new plant goes into service, the gas will be burnt in the boiler furnace. Distillate fuel oil will also be used as an auxiliary or alternative fuel, capable of producing up to 50 per cent of the heat input at maximum continuous rating of 41.13 tonnes/hour of steam. It is intended to operate with fuel gas only in normal circumstances, fuel oil being used intermittently to generate additional power for controlling maximum demand on purchased power. The steam produced in the boiler unit will power a Siemens turbine/alternator rated at 10 Mwe of electricity. Work commences in May 1986.

★

BURROUGHS has won a £2.4m contract for the supply and implementation of one of the UK insurance industry's largest microcomputer - based branch office automation systems. The order, from United Friendly Insurance, calls for the installation—between now and May 1986—of 250 district office computer systems each comprising a Burroughs B25 microcomputer with 768 KBytes of main memory, 20 MBytes of Winchester disk memory, a dual function printer, tape streamer back-up and synchronous auto dial modem. A further dozen similar systems will be installed at UF's head office to handle departmental applications and on-going systems development.

★

WAYNE KERR has signed a £1m sales contract with China. Over the next three years the instruments company of the Sussex-based electronics group will supply microprocessor controlled meters for use in China's expanding electronics industry. The equipment will be used to test components destined for electronic goods to be manufactured in China. The agreement not only encompasses the supply of finished equipment. Over the three-year period, Wayne Kerr will introduce its technology and manufacturing expertise to the Tianjin Radio Factory No 6, south of Peking. As part of the contract, Wayne Kerr will train up to 30 Chinese engineers and operators.

★

RAIR has won a £1m export contract to supply its SuperMicro computer systems to major Turkish office equipment and systems house, Elsan Elektronik, Adana, Southern Turkey. Under this three-year agreement, Elsan will exclusively market general business, office automation, educational and vertical market solutions based on the Rair range of multi-user Super and Mini-Micro computers.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
6	7	8	9	10	11	12

Exhibitions

PARIS

Picasso Museum: The 17th century Hôtel Salé, sumptuously restored, provides a fitting home for the world's largest collection of Picasso's work. It comprises 203 paintings, 158 sculptures and more than 3000 drawings and engravings, 16 collages and 88 pieces of ceramics. It is completed by Picasso's own collection of paintings by his friends, such as Braque and Matisse, or by artists he admired, Renoir, Cézanne, Douanier and Rousseau. Musée Picasso. Hôtel Salé, 5 rue Thorigny, Paris 3e (2712421). Closed Tue.

The fame of Victor Hugo. To mark the 100th anniversary of the poet's death, some 1,000 documents – grand and less grand, including caricatures, posters, photographs, try to explain the extraordinary phenomenon of Hugo's glorification. Grand Palais, closed Tue. Ends Jan 6 (2615410) Petit Palais adds to Hugo's celebrations an exhibition Le Soleil d'Encre consisting of more than 300 of the artist's drawings and 200 manuscripts belonging to the Bibliothèque Nationale. Petit Palais, closed Mon (2651273).

Modern Masters of the Thyssen-Bornemisza collection: The 107 paintings from one of the world's most remarkable private collections constitute a panorama of modern art which is anything but didactic. German Expressionists were one of Baron Thyssen's first loves, quickly followed by Kandinsky and the Russian avant-garde. Manet, Renoir, Degas, Lautrec create another centre of interest, while Picasso's l'Homme à la Clarinette is one of the Baron's favourite acquisitions. Musée d'Art Moderne, 11 Avenue du Président Wilson (47 23 61 227). Closed Mon. Ends Jan 5.

Old and new: State acquisitions over the last five years. The 240 exhibits range from an Egyptian pleureuse dating from 1800 BC to contemporary artists and comprise paintings, sculpture, pieces of furniture and objects d'art. Among the chef-d'œuvres there is Vermeer's Astronomer, Frans Hals' Jester Playing The Lute as well as works by Manet, Monet and Seurat. Lucas Cranach's Melancholy comes from a provincial museum. Grand Palais. Ends Feb 3 (42603926)

WEST GERMANY

Berlin, Nationalgalerie: Art from 1945 to 1985. With 500 works by 220 artists the Berlin National Museum will display an extensive exhibition of post war art. Ends Jan 12.

Stuttgart, Neue Staatsgalerie: A retrospective of 81 works of the British artist Francis Bacon (born in 1909). The works, covering 40 years, are on loan from the Tate Gallery, London. Ends Jan 5.

Bremen, Kunsthalle am Wall 207: Klee drawings and paperworks from 1921 to 1933. Ends Jan 5.

Düsseldorf, Kunsthalle Grabbeplatz Joel Shapiro: First stop for an exhibition covering 80 abstract sculptures and paintings by the American artist in the last nine years. Ends Jan 19.

Essen, Museum Folkwang, Goethestrasse 41: To honour the German painter Lovis Corinth on the 60th anniversary of his death, the exhibition contains 90 paintings and 40 graphic illustrations. Ends Jan 12.

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: Pictural Art in Bonn from 1945 to 1952. 100 paintings, plastics and drawings by 21 artists including Joseph Fassbender and Hann Trier. Ends Dec. 18

BRUSSELS

Spanish Netherlands 1500-1700: Renaissance and Baroque, Flemish and Spanish painters – Velázquez, Rubens, Murillo, Van Dyck, El Greco. Palais des Beaux Arts. Ends Dec 22.

Goya: paintings, drawings, etchings from Spanish public and private collections. Musée Royale des Beaux Arts. Ends Dec 22.

Picasso, Miró, Dali: Palais des Beaux Arts. Ends Dec 22.

Tapies, Chillida, López García: three contemporary artists. Musée d'Art Moderne. Ends Dec 22.

Los Iberos: Iberian Art from the pre-Roman period. Musée Royale d'Art et Histoire. Ends Dec 22.

Armada Treasures. 2,000 items from the Ulster Museum. A variety of objects including a gold salamander set with rubies, rings and a three-tonne siege gun raised from three ships, Girona, Trinidad Valencera and the Santa Maria de la Rosa, all wrecked off north and western Ireland in 1588. Credit Communal until end Jan.

Dario de Regoyos (1857-1913): A Spaniard in Belgium. Banque Bruxelles Lambert, Place Royale ends Dec 21.

ITALY

Florence: Museo di Storia della Scienza: A History of Spectacles. More than a hundred pairs of glasses from the Zeiss foundation (in E. Germany). This is the first time the collection has been shown publicly. Exhibition also includes engravings by Durer, Rembrandt and Japanese artists. Ends Jan 11.

NETHERLANDS

Scheveningen, Circus Theatre. Vivid glimpses of Italy and Spain in recent canvases and drawings by Renée Hogeland. Ends Dec 15.

Amsterdam, The traditional open house festival in the Spiegelstraat antiques district. Begins 5 pm Wed.

SPAIN

Madrid, a selection of 162 XVIIth century paintings including Ribera, Caravaggio, Luca Giordano, Vaccaro, Cavallino, Pretti, Caracciolo, Salvatore Rosa, Micco Spadero, Falcone, etc. Palacio de Villahermosa, Prado Museum. Until end of Dec.

NEW YORK

Asia Society: Complementing the Metropolitan show, Akbar's India concentrates on the 49-year reign of the sixteenth-century Mughal emperor who built Fatahpur Sikri and inspired the works represented here by 80 paintings as well as metal work, carpets, and textiles. Ends Jan 5.

Museum of Modern Art: Making generous use of the Riklis Collection of the McCrory Corporation, this exhibit of geometric abstract art of the twentieth century entitled Contrasts of Form covers the Russian Constructivists and American Minimalists as well as Cubism and Bauhaus. Ends Jan.

Guggenheim Museum: 55 major sculptors of the 20th century, including Giacometti, Nevelson, and Johns, are part of the theme Transformations In Sculpture, meant to cover pop art, minimalism and Arte Povera, among other movements of the past 40 years. Ends Feb 16.

Pierpont Morgan Library: 200 British photographs from the Victoria & Albert Museum cover Fox Talbot to Julia Margaret Cameron and Lewis Carroll among the earliest practitioners in the years from 1839 to 1900. 36th St & Madison Av. Ends Feb 2.

WASHINGTON

National Gallery: The Treasure Houses of Britain collects 700 objects from 200 stately homes in a show mounted and decorated to look like the quintessential stately home, with paintings by Holbein, Rubens, Van Dyck, Hogarth and Turner among many others, as well as Chippendale furniture, Meissen and Sèvres porcelain and tapestry, jewellery and armour. Ends Mar 9.

Hirshhorn: The recent allegorical and romantic strain in Italian painting is represented in a show of 48 works, primarily paintings, from 13 artists, including lesser known artists such as Carlo Bertocci and Patrizia Cantalupo as well as the well known Sandro Chia, Mimmo Paladino and Carlo Maria Mariani. Ends Jan 5.

National Gallery: 118 Master Drawings from the fifteenth to nineteenth centuries lent by the Swedish Nationalmuseum include works by Dürer, Rembrandt, Rubens, Van Dyck and Goya. Ends Jan 5.

CHICAGO

Art Institute: Chalk & Chisel combines 11 sculptures with more than 80 sculptors' drawings to show the interplay between preparation and execution in the work among others of Rodin, Carpeaux and Rysbrack. Ends Dec 12.

TOKYO

Impressionist Masterpieces: From the Art Institute of Chicago, 65 items from one of the world's largest collections trace the development of impressionism from Millet and Courbet forward. Included are Renoir's On the Terrace, and Cézanne's The Bathers. Seibu Museum of Art, Seibu department store, Ikebukuro Branch. Closed Thur. Ends Dec 17.

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs. Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey, Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Camille (Comedy): Pam Gems's re-write gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (930 2578).

NETHERLANDS

Amsterdam, Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bittersweet comedy, Two For The Seesaw. Maxine Resnick and Grant Coburn directed by Svarupa. All week except Thur. (247248).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

Woman and Water (Arena): The latest instalment in playwright John Guare's American Civil War tetralogy follows further adventures of Lydie Breeze in mid-19th-century Nantucket. Ends Jan 5. (488 3300).

CHICAGO

King Lear (Goodman): The Stratford Festival of Ontario production puts Lear in a rustic setting that looks much like the North American frontier. Ends Dec 22 (443 3810).

TOKYO

Noh: There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores give summaries of plots.

Music

BRUSSELS

Palais des Beaux Arts (512 40 45): piano recital by Ivo Pogorelich (Wed); Belgian National Orchestra, conducted by Antal Dorati, with Lise von Alpenheim, piano. Haydn, Mozart, Brahms (Thur).

Conservatoire de Bruxelles (512 40 45): Lieder recital by Barbara Hendricks, soprano; with Ralph Gothoni (Thur).

LONDON

Royal Philharmonic Orchestra, conducted by Antal Dorati, with Vladimir Ashkenazy, piano. Beethoven. Royal Festival Hall (Mon). (928 3191).

Vienna Chamber Orchestra, directed by Philippe Entremont, piano. Mozart. Queen Elizabeth Hall (Tue). (928 3191).

London Philharmonic Orchestra, conducted by Simon Rattle, with Kyung Wha Chung, violin. Mussorgsky, Rimsky Korsakov, Berg, Rachmaninow. Royal Festival Hall (Tue).

BBC Symphony Orchestra, conducted by Mark Elder, with John Lill, piano. George Benjamin, Bartók, David Matthews, Ives. Royal Festival Hall (Wed).

London Mozart Players, conducted by Jane Glover. Mozart and Walton. Queen Elizabeth Hall (Wed).

Berio 60th Birthday Concert: London Sinfonietta and Voices, conducted by Luciano Berio, with Carlo Chiarappa, violin; and Aldo Bennici, viola. Bero, including first British performance of Requies. Queen Elizabeth Hall (Thur).

Philharmonia Orchestra and Chorus and the choir of St John's College, Cambridge, conducted by Stephen Cleobury. Christmas programme. Royal Festival Hall (Thur).

PARIS

Alicia Nafe recital (Mon). Théâtre de l'Athenée (47426727). Bruno-Leonardo Gelber recital (Mon). Théâtre des Champs-Elysées (47234777)

Teresa Zylis Gara, soprano; Christian Ivaldi, piano. Chopin. (Mon) TMP-Châtelet (42334444).

Ensemble Orchestral de Paris, conducted by Jean-Pierre Wallez; Jose Sequeira-Costa, piano. Haydn, Beethoven (Tue). Salle Pleyel (45810630)

Orchestre de Paris, conducted by Daniel Barenboim; Vladimir Ashkenazy, piano: Berlioz, Boulez, Beethoven (Wed, Thur), Salle Pleyel (45619607).

NETHERLANDS

Amsterdam, Concertgebouw. The Messiah performed by the Netherlands Händel Society and the Netherlands Philharmonic, conducted by Jac Loorij (Tue); Bernard Haitink conducting the Concertgebouw Orchestra; with Murray Perahia, piano: Vaughan Williams, Beethoven, Tchaikovsky (Wed, Thur). Recital Hall: The Schönberg Ensemble, conducted by Reinbert de Leeuw, with Jard van Nes, contralto. Berg (Thur). (71 83 45).

Utrecht, Muziekcentrum Vredenburg. Serge Raggiani, chansons (Wed); Chopin piano recital by Andrei Gavrilov (Thur). Recital Hall: Orlando Quartet. Haydn, Beethoven, Debussy (Tue), The Schönberg Ensemble, conducted by Reinbert de Leeuw, with Jard van Nes, contralto. Berg (Wed); Mouloudji, chansons (Thur). (31 45 44).

Rotterdam, De Doelen. The Rotterdam Philharmonic under James Conlon, with David Golub, piano. Mozart (Tue, Wed, Thur). (14 29 11)

Maastricht, Schouwburg. Piano recital by Eliane Rodrigues (Tue). (21 33 00).

SPAIN

Barcelona: William Fong, piano. Beethoven, Chopin, Granados, Brahms, Ravel. Caixa de Pension. Passeig de Sant Joan, 108. (Tue).

Madrid, Wind instruments, conducted by Franz Cramer. Berg, Schubert and Mozart. La Union y el Fenix, paseo de la Castellana 33. (41 985 59) (Wed).

VIENNA

Vienna Symphony Orchestra, conducted by Semyon Bychkov; with Andrea Lucchesini, piano. Chopin, Shostakovitch. Konzerthaus (72 12 11). (Mon).

Artis-Quartet. Beethoven, Webern, Schubert, Brahms. Schubert Saal, Konzerthaus (Tue).

Ensemble Maurice Ravel and string orchestra of the French Music Institute. Maray, Bartók, Merlet. Palais Clam Gallas. (Wed).

Vienna Symphony Orchestra, conducted by Christoph Eschenbach, with a Mira Zakai, mezzosoprano. Blacher, Mahler. Musikverein. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Leonard Bernstein conducting: Harris, Schuman, Copland (Tue); Charles Dutoit conducting; Glenn Dicterow, violin: Copland, Barber, Mussorgsky-Ravel (Thur). Lincoln Center (874 2424).

King's Singers (Alice Tully): International Christmas music of the Renaissance, with works by Janacek, Menotti, Richard Manners (Thur). Lincoln Center (362 1911)

Carnegie Hall: Cleveland Orchestra, Christoph von Dohnanyi conducting; with Alicia de Larrocha, piano: Zemlinsky, Mozart, Stravinsky (Wed). (247 7459).

Kaufmann Hall: Gary Schocker flute recital with Anthony Newman, piano: Teleman, Copland, Poulenc; Bach, Berio, Prokofiev (Tue). 1395 Lexington Av (831 8603).

CHICAGO

Chicago Symphony (Orchestra Hall): Erich Leinsdorf conducting: Roussel, Schuller, Franck (Thur). (435 8122)

TOKYO

Mozart Orchestra of Salzburg, conductor Hans Graf: piano, Eric Heidsieck. Tokyo Bunka Kaikan. (Mon) (496 0959)

Thomanerchor and Gewandhaus Orchester of Leipzig, Schütz, Händel, Bach, Mendelssohn, Schubert. St. Mary's Cathedral. (Mon) (242 7711).

Harumi Kuyama (piano): Bach, Beethoven, Mozart, Françaix. Iino Hall, near Hibiya, Ginza (Wed) (571 1689).

Deutsche Streichersolisten of Berlin: Pachelbel, Mozart, Mendelssohn, Wolf, Bartók. Showa Women's College, Hitomi Memorial Hall (Wed) (440 5541).

Continued on Page 21

Cinema/Nigel Andrews

Fantasy is kissed back to life

Legend directed by Ridley Scott
A Zed and Two Noughts directed by Peter Greenaway
Back to the Future directed by Robert Zemeckis
1919 directed by Hugh Brody

Mia Sara as Princess Lili in Ridley Scott's "Legend"

Alexandre Dumas *fils* once said, "All generalisations are dangerous, including this one." A favourite generalisation about British cinema is that its directors have no visual flair. They are born to a nation whose heritage is great literature rather than great painting, and where more recently great television has favoured the documentary eye rather than the imaginative one. Even on the one recent occasion when the country roused itself for an authentic movie "revolution," the British New Wave of the 1960s which ushered in talents like Schlesinger, Anderson and Clayton, it was a revolution based on realism rather than imagination and on performances rather than images as ruling the camera's movements.

No wonder British cinema's few image-hungry exceptions—like Michael Powell and Carol Reed in the old days, Ridley Scott and Peter Greenaway today—seem to have come from another planet. Scott's new *Legend* has a script (by William Hjortsberg) that might have been created by rubbing two elves together: on the printed page it would surely seem the flimsiest piece of mythic whimsy. A forest-dwelling boy hero (Tom Cruise) and a virginal Princess (Mia Sara) declare war on a Lord of Darkness (Tim Curry) who has plunged the land into a sort of nuclear winter. The Lord's reason? The Princess, in a careles moment, has snapped the horn off one of the last two unicorns in the world. She thus brings down a cosmic curse, the end of pre-civilisation as we know it and no doubt the morbid interest of all Freudians in adjoining kingdoms.

Just such a fairy-tale-by-numbers plot was enough to capsize movies like *Krull* and *The Black Cauldron*. But *Legend* is so fresh and inventive visually that its script becomes almost secondary: no more than the vertebra on which to build a flesh-and-blood spectacle of devastating beauty.

Almost entirely studio-shot, Scott's film creates setting, images and creatures (human and half-human) that leap over mythic cliché into high invention. The forest is a vernal, blossom-blown Eden where shafts of light seek out giant oaks, lush carpets of flowers and scatters of heraldic animals out of a Cranach painting. After its fall, the landscape becomes a Gothic twilight-world of twisted trees, lowering moons and blasting snowstorms.

Scott and his designer and cinematographer, Assheton Gordon and Alex Thomson, never settle for the second-hand mythic or the pushbutton picturseque. Even perilous moments of potential tweeness — the scamperings of mini-goblin David Bennent, thet cavortings of Cruise's two leprechaun chums — are kissed into grandeur by a movie screen that uses light like molten gold and colour with a supple, fantastical beauty that is part Arthur Rackham, part Caspar David Friedrich.

The villain's final undoing is effected by a shaft of light barrelling down into his underworld through a zig-zag series of mirrors. What could be more appropriate?The final whoosh of illumination hits him square in the eyes much as Scott's genius, carried on a projector beam, hits us and bombards a frail script into freshly fascinating fragments.

*

In Peter Greenaway's *A Zed and Two Noughts* the struggle between word and image, plot and picture, is less conclusive. For a start Greenaway is, as ever, his own screenwriters. He pens, as in *The Falls* and *The Draughtsman's Contract*, an unashamedly verbose collision between absurdism and apocalypse; telling the tale of one Alba Bewick (Andrea Ferreol), a pregnant and voluptuous matron who loses a leg, a baby and two female passengers in a car crash caused by a low-flying swan.

She is taken by the dead ladies' widowers, identical twins Oswald and Oliver (Brian and Eric Deacon), who when not setting out to make her pregnant again are working in a zoo on experiments in animal decay. Also swanning in and out of view are a dubious surgeon (Gerald Thoolen), a lady in a red hat (Guusje Van Tilborgh) and Venus de Milo (Frances Barbery).

The script, therefore, is hardly the stuff one would expect—or wish—to be struck down by heavyweight visuals: even though it gets them. (Greenaway is a painter as well as film-maker—his *Draughtsman's Contract* sketches ended up at the Venice Biennale). The problem with the film is not the words or the images, nor the jaunty brilliance of Michael Nyman's music, it is the damned actors. Though Greenaway's prose, at once crazy-paved and gnomic, works brilliantly as spoof commentary (*The Falls*) or as Restoration pastiche (*The Draughtsman's Contract*), it is deadly as modern-dress dialogue. Ferreol and the Deacons negotiate their exchanges stuffed with arcana and non-sequiturs, as if swimming through clotted cream.

The result is a film where flashes of wit and inspiration jostle with fearful longeurs. There are cunning puns and jokes and subtle subtexts: on evolution (David Attenborough's *Living Planet* flickers away on TV sets as a leitmotif), on painting (compositions and costumes imitate Vermeer) and on the alphabet. (The "O"s of the twins' names echo the "O"s in the word zoo, and also represent a decay-fixated "Omega" to Alba's birth-giving "Alpha").

The movie's puckish ideas and gleaming visuals get A for ambition and, sometimes, achievement. But too often in Greenaway's film — especially when the actors carry the burden, and the struggle between polyglot cast and polymorphous dialogue resembles some beleaguered co-production art movie—the letter more unhappily invoked is Z for "Zzzz. . ."

*

Back to the Future has been the hit of the American movie year, moving confidently towards $200m as Christmas approaches. Only Steven Spielberg and George Lucas, of course, are allowed to make films as profitable as this, and it is Spielberg's turn here. His production company Amblin Entertainment allowed writer-director Robert Zemeckis (of *Romancing the Stone)* to spin the folksy-spectacular tale of a boy (Michael J. Fox) who time-trips back to 1955—in a converted DeLorean—to watch over his parents' accident-prone courtship and to smooth the path to his own birth.

If you can imagine a Frank Capra comedy sliding with deafening screech into the back of a Dr Who episode, you can have the movie. There are moments of tangled silliness, when illogicalities of plot entwine with crude comedy-cuts characterisation: Anthony Edwards as Fox's rubber-limbed dimwit of a father. Christopher Lloyd's mad scientist, helping our hero with many a batty gleam and shake of his self-raising white hair.

But there is also a romping assurance in the ingenuity of the premise, a performance of dashing, double-taking charm from Fox, and a countdown climax of real bravado.

*

Hugh Brody's 1919 is a chamber drama about two ex-patients of Freud (Maria Schell and Paul Scofield) who meet up in Vienna 50 years after treatment. The film is crabbed in style but crackling in content. Being a characteristic British Film Institute Production Board movie (rather than an uncharacteristic one like Peter Greenaway's), its visuals have all the sensuality of a maiden aunt girding herself up for tea with the vicar.

But the flat-on staging does allow two superb performances to grow: Schell, wistful and astringent as she relives (in flashback) the anguish of her teenage lesbianism, Scofield alternately growling and puckish as the White Russian emigré whose incestuous love for his sister took him to the couch of Vienna's incredible shrink.

Don Giovanni/Coliseum

Max Loppert

Don Giovanni now divides with *Rigoletto*, *Carmen*, and all of *The Ring* the dubious honour of being the operatic masterpiece on which contemporary producers with a Conception most enjoy laying hands. In this country, recent stagings by Scottish Opera, Opera 80, and (most interestingly) by Ruth Berghaus for the Welsh National have focused on particular glosses, single and often grossly "partial" aspects of the work; even where illumination is shed, the modern method tends to diminish drastically the simpler pleasures that the *dramma giocoso* should also afford.

The new *Don Giovanni* (sponsored by British Olivetti) that Jonathan Miller has mounted for the English National Opera works within the confines of the libretto. If, by the lights of the latest fashion, that means conventionality, then in almost every particular this is a thoroughly conventional *Don Giovanni*. Any hasty dismissal on these lines would, however, be extremely ill-considered: for it is also thoroughly lively, imaginative, serious-minded, and light-fingered. As shown on Wednesday it was by no means free of flaw (it is a truism, or should be, that no *Don Giovanni ever* comes quite right on opening night); but even then it stimulated a fresh response to the work, and it promises to achieve yet more in the near future.

Philip Prowse, one of Britain's most gifted and original theatre designers, has provided as single set a grey brick tower, grand in decay, and capable of splitting into three elegant and swiftly variable segments. As in every Prowse-designed show that I have seen, the basic image is not just strikingly memorable but richly erudite and full of inward-working poetic suggestion — the 18th-century reference points, not specifically Spanish, hint at Mediterranean melancholy (all costumes in black and white, with ornamental bordering to bring relief), at an airlessly constricted society through which a young, handsome libertine can flash like a bolt of lightning.

Goya seems to have been the source of Prowse's most striking inventions (the Act 1 finale, vibrantly contrasting light and dark, is played beneath an apparently rat-nibbled chandelier). Unlike the legion of black-and-white *Don Giovannis* of our day, colour is dramatically immanent, not loweringly absent. The assortment of space is both practical and practicable: indeed, in a theatre as large and as inimical to Mozart as the Coliseum, this is a brilliant solution to age-old problems—a "big-house" solution as definite as was, in its very different way, the old Zeffirelli production at Covent Garden (though producer and designer will probably not welcome the comparison). It needs to be more carefully lit; on Wednesday, bright beams crudely switched upon a nocturnal Act 2 street scene were particularly unhelpful.

As in all the best Miller opera productions, the spectator is invited to consider newly and creatively the networks and contradictions of personal relationships. Though master (William Shimell) and servant (Richard Van Allan) have still to develop their theatrical bond to its closest, carelessly attractice cruel youth and wry, envious, downtrodden middle age from its freshly-observed focal point. I have never before been made so aware of all the uncomfortable aspects to Anna's father-worship: bent and raddled by unresolved grieving, Josephine Barstow makes the great role as complicated and powerful as it deserves to be but seldom is, especially when misleading speculation about her sexual pre-history has been allowed to influence its basis (and, apart from a few clumsy scale pasages, Miss Barstow's return to Mozart after a long interval is vocally triumphant).

Elvira, tallest person on stage, cheeks bright with rouge, body contorted with outraged pride is here more *interesting* but less moving than usual — when Felicity Lott fills out and finds darker colours in an account of the music that is already notably accomplished, balance will no doubt accompany the process. Zerlina (Lesley Garrett, enchanting despite unfinished patches of tone and line) and Masetto (Mark Richardson, admirably "real" in his attitudes) are already a working partnership — in every case where they gather in confusion or with mixed motives quickly exposed, something vivid results.

This is a production with a lot of humour (I specially liked the old gentleman visibly perturbed by the cries of "Viva la libertà!") — and, beyond that, the genuinely Mozartian ability to mingle grand scale, dangerous passions, and exuberant laughter. Even where one questioned its working-out — at the very start and end of Act 1; in the moment of downfall ushered in, with unexceptionable feminist legic, by the ghosts of Giovanni's sexual victims—one is prepared to trust that answers will come when the show is more fluent in operation.

And the cast, apart from the phlegmatic, vocally disappointing Ottavio of Maldwyn Davies (following the original form of the work, "Dalla sua pace" is cut), is as good as an ensemble house could reasonably hope to field. Mr Shimwell's colourful, tangy bass-baritone could do with readier applications of finesse; Mr Van Allan's celebrated Leporello is consummate in every detail.

Mark Elder conducts. At present, he and the orchestra form the production's most considerable disappointment: Wednesday's performance was too often ill-balanced and lumpily coordinated, and too seldom indicative of the rush of excitement that all natural *Don Giovanni* conductors should admit to—at all the moments (such as the closing sentences of the Balcony Trio or the Act 2 entrance of Ottavio and Anna) where inspiration should flood the theatre, the movement just ambled on. A dimly distant fortepiano with cello continuo gives very uncertain support to the recitatives (good ideas, feeble execution). There is a shortage of ornaments. And mixed feelings about the new translations by Amanda and Anthony Holden. The "tone," often amusingly colloquial, is unsuited to the production style; exact sense is often a little too distant from the original; and rhymes like "leaving/teasing" or "accepted/unexpected" really won't do.

Yonadab/Olivier

Michael Coveney

Yonadab was a nephew of King David who, in the Book of Samuel (Chapter 2, verse 13), arranged for his cousin Amnon to sleep with his (Amnon's) sister Tamar. This act of incestuous rape, sponsored by a craftily anonymous Pandar, was revenged two years later by Amnon's brother, Absalom, who had Amnon killed.

Peter Shaffer's first play since *Amadeus* relies heavily on the 1970 novel of Dan Jacobson, itself a richly imaginative meditation upon the Old Testament story that promotes Yonadab to the role of stage manager of phantoms, a spook spokesman mediating between the modern reader and David's brutalist court. "Princes do what we dream . . . they are not our masters but our slaves. We commoners, fantasists, voyeurs, movers of furniture, carriers of messages, extras—we are free men."

Thus Jacobson's Yonadab. Shaffer's more banal Yonadab says "Princes make our dreams happen, or what is their use?" That gives an idea of the quality of adaptation. Shaffer's main departure then centres in a second act shadow play to the rape in which the precedent of Isis and Osiris is conjured to fulfil Yonadab's dream of reconciliatory marriage between Tamar and Absalom.

But theatrical creation keeps bumping into theatrical reality as Tamar, scarred beyond redemption by the rape, bursts through the Egyptian charade to lead the destruction of Amnon at the sheep-shearing festival and claim war goddess status, stained in blood and defiantly feminist. Absalom is suspended from his fatal gnarled bough and Yonadab is left to ponder the riots engendered by creed and his own sorry "unattached" state.

This is crudely and inefficiently laid out, to put it mildly. Alan Bates's Yonadab, a slinky eavesdropper with a grudge against the exalted section of the family, does not switch allegiances (as in Jacobson) out of expediency but out of self-delusion. The switch, in fact, is underplayed. So is his capacity for friendship and appreciation of others' qualities. Nor is this even a Salieri-like creation of envy and frustrated mediocrity. He is a bland MC, a sore thumb, a creep and a bore. In Jacobson, Yonadab is the refining historian and prophet, the setter of tone, the texture, the work itself. In Shaffer he is some clapped-out relation of Robert Bolt's Common Man, a theatrical anachronism.

The National Theatre production under Peter Hall's direction does its best to disguise the dramatic tenuousness of the proceedings by dressing them in Japanese trimmings and drummings (music by Dominic Muldowney) and enclosing the action in a John Bury curtain store where Sir and Madam will be delighted to see that the vast acreage of Semitic inscriptions can be discreetly lit and drawn apart to suggest the historic old walls of Jerusalem or the sun-drenched agricultural funspot of Baal Hazor.

The doomed sons of David, Amnon and Absalom, are given readings of simpering energy by Leigh Lawson and Anthony Head. With the rest of their long-haired brothers, they look like members of the Living Theatre limbering up for *The Mikado*. Patrick Stewart's David is a sad falling off from Jacobson's feckless, furtive monarch and resorts shamelessly to bad RSC sing-song inflections.

At least we are spared the usual Shaffer coffee table ding-dong between two leading characters, although by the end of the very long evening I might have settled for that. In fact I did, with the abandoned Yonadab mouthing his reflections on the roots of political evil while Tamar breathes the righteous fire of the avenging goddess.

Yonadab's moment of triumph is his announcement at court that not all the sons have been wiped out down on the farm, only Amnon. Bate's ascent of the cane and wicker throne (that's right. Sir, comes with the curtains) does not succeed as a theatrical climax ("I stand before my father wearing a king for a pendant") as the ritual and bloodletting at court has been an uninteresting sham thus far.

The savagery of the rape is let down because no dramatic language is invented to articulate the gnawing desperation and obsessiveness behind it. Instead we have a nude copulation scene with much tasteful back projection and buttock flexing — from Leigh Lawson, at least. Miss Morgan, the evening's saving grace, drives on to complete a powerful transformation from girlish acquiescence to bloodcurdling anger.

Philharmonia/Festival Hall

Paul Driver

Those who have been following the conducting career of Giuseppe Sinopoli would not immediately associate him with the music of Elgar, and might have been surprised at the success with which he directed a programme of the Philharmonia Orchestra's entirely devoted to the composer at the Festival Hall on Wednesday night.

It was a kind of pops evening, but the music played, being of *incomparable quality* and played well, lent to the occasion uncommon intensity and *sense of purpose*. Four works were given: the Introduction and Allegro for strings, Cello Concerto, Serenade for Strings and *Enigma Variations*. How did England ever give birth to the composer of *that* immortal quartet, one wondered.

The Introduction and Allegro received a performance of translucent precision: one could satisfyingly pick up such details as the very quiet solo *tremolandi* just before the fugue, and *comparable details were generally* made to sound and tell (an achievement which should not, nevertheless, be overrated, given the faultless calculation of Elgar's orchestration here, as in his other works). But greater brilliance of sonority was called for, at least in the last third of the piece, where plodding was evident. The extent of Elgar's quick, changeable, nervous expression was not fully surmised by Sinopoli in this case.

Lynn Harrell's interpretation of the Cello Concerto's solo part de-emphasised — involuntarily, I should think — its darker, introspective, evanescent qualities, and offered instead a quite lusty address, a fullness of tone, and a healthily contemplative frame of mind. His lyrical line proceeded with firm direction and the help of only rarely exceptionable tuning. He had his marvellous moments and, I'm sure, moved as well as invigorated the audience; but I found his *espressivo* monotonous, while his *pizzicati* were oddly graceless. The orchestral accompaniment was powerful.

In the Serenade for Strings, Sinopoli began to prove himself a convincing elective Elgarian; it was done with sensitivity and charm, and all its fleeting moods were there. The *Enigma Variations* had terrific accomplishment — "Nimrod" and "BGN" were particularly affecting; "Dorabella" was a delight; the whole was cohesive, dignified, and eloquent.

Felicity Palmer/Wigmore Hall

Richard Fairman

There are some singers who sound English by nature—but Felicity Palmer is certainly not one of them. Since becoming a mezzo her voice has grown in strength and a steely, strident beam of tone now projects from every note, more than enough to carry her loud and clear to the back of the Wigmore Hall. In one of her recitals, as on Wednesday evening, there is no surfeit of English cosiness.

In the Italy of Verdi and the burning heat of Spain she is quite at home. A group of songs by Obradors, the most attractive feature of her programme, was full of fire, giving us some earthy low notes and a cutting attack to phrases. One song, "Del cabello más sutil," has such a good tune that other singers should take it up. This is attractive music and has some fine accompaniments that Geoffrey Parsons delivered with relish.

Her Italian songs were equally vivid. She gets a good kick to the text and took on the large scale of Verdi's "L'esule," a veritable operatic *scena*, with obvious panache. But even in this repertoire there is one underlying problem: try as she may, it is difficult for her to get the voice to sound anything other than aggressive at *fortcor* tense and unlovely at *piano*.

Respighi's talk of "fresh roses, moist lips and dewy kisses" was never matched in tone. Nor did Schumann's *Liederkreis Op. 39*, which took up the second half, bring the range of atmosphere it needs. The monolight hush of "Mondnacht" was not magical and at the end of "Auf einer Burg" we heard, quite disconcertingly, what happens when she tries to curb an incipient vibrato. A Spanish encore, however, brought back her exciting, dramatic best.

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Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Tristan und Isolde starring Katarina Ligendza, Spaas Wenkoff and Martti Talvela. Hänsel und Gretel features Janis Martin and Ruthild Engert. Madame Butterfly, sung in Italian, has Yoko Watanabe excelling in the title role. Also Der Barbier von Sevilla. (34381).

Hamburg, Staatsoper: Händel's Belsazar conducted by Gerd Albrecht has Helen Donath, and Walter Raffeiner. The rarely played Intolleranza by Luigi Nono has fine interpretations by Gabriele Schnaut and William Cochran, Boris Godunow, offered in a concert version, features Kurt Moll, Walter Raffeiner and Marjana Lipovsek. Arabella brings together Olive Fredricks, Gundula Janowitz, Cornelia Wulkopf and Wolfgang Schöne. (351151).

Frankfurt, Opera: Premiering this week is Das Rheingold, produced by Ruth Berghaus. Conductor is Michael Gielen with Barry Mora, Heinz Zednik, Gail Gilmore and Paula Page in the main parts. Don Giovanni has Wolfgang Schöne in the title role. Die Verkaufte Braut returns. (25621).

Cologne, Opera: The Magic Flute is a well done repertoire performance with Mattias Holle, May Sandoz and Randall Outland. Hänsel und Gretel has Andrea Andonian and Margaret Neville as leads. (20761).

ITALY

Milan: Teatro alla Scala: Season opens with Aida conducted by Lorin Maazel, in Luca Ronconi's production. Luciano Pavarotti sings the role of Radames. (809126)

Rome: Teatro dell'Opera: Un Ballo in Maschera conducted by Gianluigi Gelmetti. Production, scenery and costumes by Sylvano Bussotti. (461755).

Florence: Teatro Comunale: Manon Lescaut with Mirella Freni, conducted by Maurizio Arena. Production, scenery and costumes by Pier Luigi Samaritani. (2779236)

Trieste: Teatro Comunale: Russalka by Dvorak conducted by Gianfranco Masina and directed by Peter Werhahn. (631948).

Turin: Teatro Regio: Richard Strauss's Il Cavaliere della Rosa conducted by Milan Horvat and directed by Peter Busse. (548000)

LONDON

Royal Opera, Covent Garden: La nozze de Figaro, in the much-revived John Copley production, returns with its original conductor, Colin Davis, and an interesting new cast led by Yvonne Kenny, Anna Tomova-Sintov, Jonathan Summers, and Patrick Raftery. Last performances of the current Fanciulla del West run, illuminated by the heroine of Mara Zampieri and the conducting of John Mauceri. (2401066).

English National Opera, Coliseum: the latest attempt at a big-house ENO Don Giovanni is by Jonathan Miller; Mark Elder conducts, and the cast is led by William Shimell, Richard Van Allan, Josephine Barstow, and Felicity Lott. Further performances of Orpheus in the Underworld and Katya Kabanova. (8363161).

PARIS

Palais des Congres: Roland Petit and Marseilles' National Ballet present Puss in Boots animated by Roland Petit's unfailing imagination and enthusiasm (42662075) from 2pm-5pm). Ends Jan 5.

Opera: The Siege of Corinth alternates with Gounod's Romeo and Juliette conducted by Maximiano Valdes with Juliette sung by Ana-Maria Gonzales, Stefano by Marie-Christine Porta and Romeo by Alfredo Kraus. (42665022).

Appassionata, choreography and production by Russillo to Astor Piazzolla's music. Théâtre des Champs Elysées. (47234777)

NETHERLANDS

The Nederlands Dans Theater on tour with Uccelli and Converge by Nacho Duato, and Kylian's Wiegelied. Tue in Eindhoven, Schouwburg (111122), Wed in Utrecht, Schouwburg (310241), Thur in Arnhem, Schouwburg (222741).

Amsterdam, Stadsschouwburg. The Netherlands Opera production of Britten's Turn Of The Screw (in English), directed by Rhoda Levine and designed by John Conklin. The Netherlands Philharmonic under Bruce Ferden, with Helen Field as the governess, James Lewis and Dominic Martelli as Miles, and Emma Stuart and Juliette McCloig as Flora (Tue, Thur). (242311).

Scheveningen, Circus Theatre: Opera Forum with Rossini's l'Italiana in Algeri, directed and designed by Vittorio Patané, and conducted by Christof Escher. Armeen Dishtchokenian as Isabella, Henk Kreukniet as Lindoro, and Jan Alofs as the Bey (Wed). (558800).

SPAIN

Barcelona, Gran Teatre del Liceu: Boris Godunov, includes Matti Salminen and Marijka Hendriks. Sant Pau 2. (3189200).

VIENNA

Staatsoper: The Magic Flute with Mathis; Il Trovatore, Fidelio with Jones, Mathis, Kollo, and Sotin; La Bohème conducted by Zedda; The Flying Dutchman conducted by Schirmer with Vejzovic, Slania, Sotin; Jenufa conducted by Schwarz. (5324/2655).

Volksoper: Hänsel and Gretel; My Fair Lady; Britten's The Beggar's Opera; Lehar's Das Land des Lächelns; Dostal's Die Ungarische Hochzeit. (5324/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features the first seasonal performance of L'Italiana in Algeri conducted by James Levine with Marilyn Horne and Roberta Alexander, which joins the repertory of Satie's ballet Parade, Poulenc's Les Mammeeles de Tiresias and Ravel's L'Enfant et le Sortileges, in an evening called Parade. Also the premiere production of Jean-Pierre Ponnelle's Le Nozze di Figaro conducted by James Levine with Kathleen Battle as Susanna and Ruggiero Raimondi as Figaro. The week also includes Cavalleria Rusticana with Hildegard Behrens and Pagliacci with Placido Domingo, as well as Porgy & Bess. Lincoln Center. (3626000).

Dance Theater Workshop: The invitational Border Crossings celebrating the venue's 20th anniversary continues with Fresh Tracks, a choreographers' showcase (Tue). (219 W. 19th St. (9240077).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and Sherrill Milnes, conducted by Bruno Bartoletti and staged by Antonello Madau Diaz. Also Madame Butterfly with Anna Tomowa-Sintow in the title role, conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine. (3322244).

Saleroom/Antony Thorncroft

Wine–at £10,000 a glass

A bottle of wine sold at Christie's yesterday for £105,000. Admittedly it was a Chateau Lafite, but this hardly accounts for the extraordinary price, which makes the Christie's pre-sale estimate of £5,000 look silly, and the previous highest price for a bottle of wine at auction, $32,000, look modest.

What made this bottle exceptional was the fact that it had been bought by Thomas Jefferson in 1787, when he was the American Ambassador in France. He was so impressed by the quality of the '87 that he bought 10 cases, and a few odd bottles, and ordered 30 cases for George Washington, then the American President.

In time Jefferson became President, which accounts for the interest in this particular bottle, which is still dressed with his initials. It was bought yesterday by Christopher Forbes, a son of Malcolm Forbes, the founder and proprietor of Forbes Magazine. The elder Forbes is a noted collector and so are his sons.

If the Forbes's wish to drink this exceptional bottle they should find it in remarkably good condition. The vendor, Mr Rodenstock, tasted a bottle of the 1787 Yquem, that Jefferson also bought, this very summer and pronounced it perfect. But Mr Forbes flew back with the bottle to New York yesterday.. and placed it in the Presidential Memorabilia Collection owned by Forbes. He announced after the sale that he had been wrong-footed in the biddings: his upper limit had been £100,000.

Sotheby's sale of post-war and contemporary art was quite a success, with a total of £1,869,560 and 15.9 per cent unsold, good for this market. There was a record price paid for a painting by Howard Hodgkin, the recent winner of the Turner Prize for his contribution to British art. His portrait of the dealer Kasmin and his wife sold for £66,000, although the figures are barely discernible, let alone recognisable.

The top price was the £143,000 paid for a completely blue canvas by Yves Klein. The London dealer Leslie Waddinton bought "Composition" by Sam Francis for £121,000 while a Japanese private buyer acquired "Le moment choisit" by Asger Jorn for £104,500. A Hockney drawing of Cecil Beaton was on target at £12,100.

Sotheby's series of sales in Dubai is proving a brave experiment which is before its time. The Islamic coins did well but the important carpets and rugs met little buying interest and less than half a dozen of the 81 lots on offer found a buyer..

FINANCIAL TIMES
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Friday December 6 1985

Cost of trade distortions

THE PUBLIC Accounts Committee of the House of Commons displayed a remarkable *degree of scepticism about the* subsidisation of export credit in its report, published this week, on fixed-rate export finance.

True, the committee did accept that without such subsidy through the Export Credit Guarantee Department, British exports of capital goods would be lower. True, too, it came down against a British withdrawal from the international race to win export orders by *means of subsidised terms.*

But repeatedly in the report an underlying scepticism about the value of the entire system shines through. It questioned several witnesses about the principles involved. The representative of the Department of Trade and Industry, for instance, admitted that a heavy export subsidy bill imposed a cost on the economy, destroying jobs elsewhere. But that effect was very diffuse and varied according to the size of the subsidy bill. That hardly sounds like a spirited defence.

Inefficient

Mr Nigel Lawson, the Chancellor of the Exchequer, is cited in the report for the view that export subsidies were an *inefficient means of supporting* domestic industry and employment.

Yet in practice the Thatcher Government's free-market philosophy has been applied only in gingerly fashion to matters of external trade. Britain has its fair share of orderly marketing agreements, imposing supposedly voluntary restraints upon exporters in Japan and in *developing countries. It calls for* a slowing-down of the international export credit race, but it is competing none the less.

The Government's position appears to be that as long as other industrialised nations support their own exporters with subsidised credits and credits beefed up with tied aid, and as long as they turn away imports and thereby deflect them to others, Britain has no choice but to do the same.

It is a beguiling argument, and one that the Public Accounts committee accepts. But it is time for the Government to address more openly the opposing argument — that trade distortions designed to assist particular interest groups impose unacceptable costs on the rest of the economy.

If export subsidies and obstacles to imports impair the efficiency of an economy, might there not be an argument for abandoning them unilaterally? The least that can be said is that in a world of imperfect *liberalism, the more liberal* economies have not fared worst.

The question of unilateral abstention from export subsidy and import restrictions has been tackled in the course of an interesting series of Reith *lectures on the BBC by Mr* David Henderson, head of the Economics and Statistics Department of the Organisation for Economic Co-operation and Development.

Living costs

Restraints on free trade, Mr *Henderson says, raise prices to* consumers in the country they are supposed to protect. That leaves consumers less to spend on other products, including *home products. The subsidy* comes out of taxes and further restricts spending power and its ability to boost an economy. The exclusion of cheap imports raises living costs and, thereby, wages. It thus reduces interna*tional competitivess. And even* if one assumes that intervention in trade flows can raise export receipts artificially, it risks being self-defeating because of the effect upon the exchange rate.

Nobody denies that import surges and failures in export markets impose hardships on particular industries. But these are more properly tackled by *restructuring and,* where needed, by social security, rather than by imposing costs elsewhere in the economy. One may even question whether the developing countries derive pure gain from the subsidy race *among their industrialised suppliers:* the best terms do not always come with the best goods.

The case is strong for all concerned in the industrial world to seek to wind down the barriers to trade represented by subsidy and import restraints. Developing countries need not lose from the one and could gain from the other. Moreover, at national level a re-examination is needed of how much sense it makes to export goods at prices below cost.

Australia's case on nuclear tests

THE Australian Royal Commission's report on the effect of British nuclear tests conducted *during the 1950s and 1960s,* which was published yesterday, is rightly being taken seriously by the British Government. Though some of its main allegations are controversial, and hard evidence of the effects of *the tests on military personnel* and aborigines is not abundant, the report still makes alarming reading.

The decision to lend large tracts of Australian land to Britain to carry out a long-term *programme of nuclear tests* appears to have been taken without proper political debate of such a momentous decision and without sufficient consideration of the social and health consequences.

The Commission is critical of Mr Robert Menzies, the Australian Prime Minister of the time, who is alleged to have agreed that the tests should go ahead *without even consulting his* Cabinet. In a significant passage echoing the present Australian generation's desire to break with the country's British-dominated past, the report said Mr Menzies had taken it upon *himself to consider* British interests as synonymous with those of Australia.

Mr Menzies is said to have taken the decision to lend the nuclear test sites to Britain virtually off his own bat and with*out the benefit of* any scientific knowledge of the hazards involved in nuclear tests. British reassurances about these hazards had been taken at face value, and Australian scientists were not consulted.

Allegations

The second major allegation made by the report is that the interests and *rights of the* aboriginal populations of the *test areas* were virtually ignored, that their traditional lands had been made uninhabitable by radiation which has caused illness in those exposed to it. Britain has therefore been asked to pay for a major clean-up of the aboriginal lands, which would cost millions of pounds, while the *Commission* has called on the Australian *Government to pay* compensation to the aboriginal owners of some of the affected areas.

What is the evidence for all these allegations? Britain conducted 12 nuclear tests in Australia from October 1952 to September 1957 at Emu and Maralinga in South Australia and on the Montebello Islands *off the coast of West Australia.*

According to the Royal Commission, which conducted its hearings over a period of one year in both Australia and London, these tests were far from "clean". Two groups of *individuals might therefore* have been affected by radioactive fall-out: the aborigines and British servicemen and officials present during the tests.

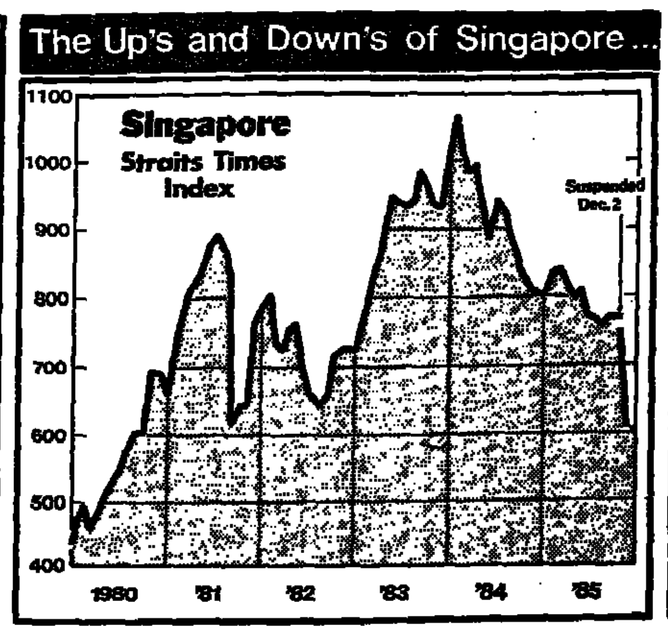
However, the Commission was unable to give any figures for the number of deaths caused by the fall-out, if any, nor has it been able to give any estimate of the number of people who may have suffered cancer-related illnesses as the result of radioactivity. It merely comes *up with the unscientific statement* that if no aborigines had been killed or injured as the result of the tests, that was due to good luck rather than foresight or management.

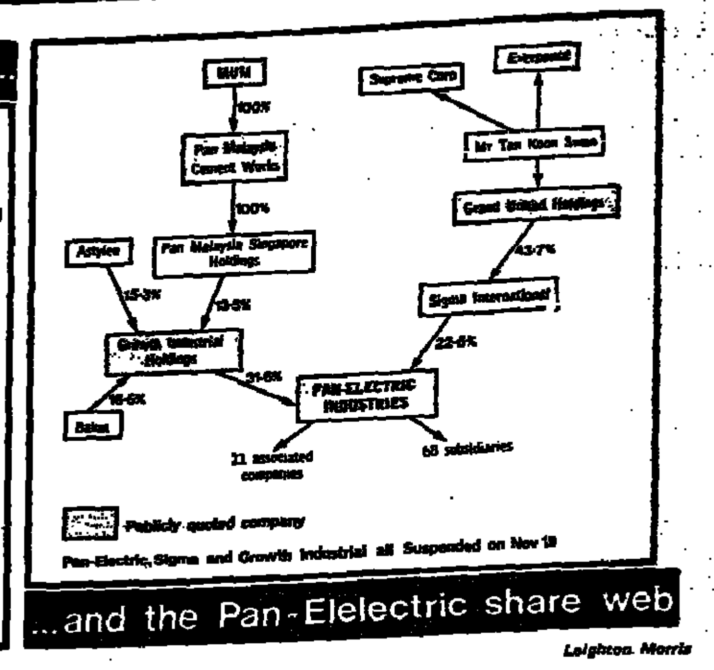
Acceptance

Predictably, British officials *argue that every possible pre*caution to protect the population of the test site areas was taken. They also claim that the Australian government had a veto over all the nuclear tests and that a 1978 agreement between the two countries absolved Britain from cleaning up the nuclear test site at Maralinga.

The most obvious conclusion to be drawn from the findings of the Royal Commission is that *both governments* were responsible for the consequences of the nuclear tests. Whatever criticisms may be made of Mr Menzies today, the nuclear test sites were lent to Britain as the result of an inter-governmental agreement. Australia must therefore share the burden of both moral and financial responsibility.

Britain's swift acceptance of the proposal by Senator Gareth Evans, *the Australian Minister* for Resources and Energy, to *hold talks on the* recommendations of the report is a sensible *move.* Calm discussions about how the problem of cleaning up the sites is going to be solved will help to prevent mutual recriminations and a deterioration in bilateral relations, which would almost certainly have been *the result of a* refusal to discuss the issue.





SINGAPORE'S STOCK MARKET CRISIS

After the clean-up, a test of faith

By Chris Sherwell

FOR two decades, the tiny island state of Singapore has striven—patiently, with determination and, for the most part, successfully—to become an international financial centre.

Using the advantage of its location and the record of its *stablity its leaders have meti*culously followed policies aimed at building confidence in its integrity and its utter predicticability.

Now, suddenly, that reputation has been put at risk by a stock market crisis so serious it caused the unprecedented suspension this week of all dealings in Singapore and Malaysia for three days.

That the collapse of a small *marine salvage, hotel and pro*perty group called Pan-Electric *Industries* could have led to this is a dramatic comment on all parties involved—on the entrepreneurs and speculators whose share dealings have been used to build paper empires, on the cartel of local stockbrokers who created credit with astonishing recklessness, on the banks, *who lent so* imprudently to the brokers, and on the otherwise tough-minded authorities who have tolerated it all for so long.

The crisis itself could not have come at a worse time for either country. Singapore's economy this year is expected to show its worst performance in two decades, contracting by 2.5 per cent after 8.2 per cent *growth in 1984.* The deceleration, one of the sharpest in the world in 1985, springs partly from the slowdown in the US, its main export market, but is *also caused by a slump in* domestic construction because of a property glut, a decline in demand for key local industries like oil refining and ship*repairing,* and a loss of international competitivenes caused by high labour costs and a strong currency.

Though Malaysia's slowdown is less marked, it is grappling for the first time in years with an across-the-board fall in prices of its major commodities *—oil, rubber, tin, palm oil* and timber. The Government also faces the prospect of an election next year, and its chances will hardly be helped if there is a *loss of* confidence in the stock market, since Malaysians, like Singaporeans, participate widely in it.

In fact the implications of the affair in Malaysia will probably be as much political as *economic, not least because a* central figure in the drama is Mr Tan Koon Swan, an entrepreneur who, at the height of the crisis, became leader of the country's main Chinese political party.

This would normally entitle him to be a senior member of the cabinet in Malaysia's broad coalition government. But it remains possible that, having *reached the pinnacle of his am*bitions, his position could be irretrievably undercut, either by his opponents within the long-split party or by those who *will blame him for the financial* crisis.

Mr Tan himself can be expected to fight his corner.

Mr Daim Zainuddin, Malaysia's Finance Minister and himself an entrepreneur who made his name on the stock market, will be particularly disappointed at *the waste of his controversial* efforts to boost the country's weakening stock market by persuading institutions to invest. For a short while his policy seemed to work. Now those economists and analysts who have argued that the market was overvalued look vindicated.

Long before this week's crisis, this negative view was gaining ground. Slackening economies, depressed corporate earnings since 1982, a pessi*mistic outlook for world trade* and weak commodity prices all suggested that existing p/e ratios of 20 or more were too high.

Yesterday's dramatic share price plunge, after the reopening of the two exchanges, could remedy that view, but it *is too early to judge.* Further falls over coming days could be stemmed by the authorities' decision to allow 24-hour delivery trading only. In the past, trading has been on a "ready" or "settlement" basis, *both of which* allowed delivery of share certificates within days or weeks of a transaction.

The risk in an immediate delivery stipulation, especially if it is retained indefinitely, is that traders, *particularly* foreign traders, may be put off from participating in the market. Physical delivery of share certificates within 24 hours is not impossible, but it is an added awkwardness for *the Singapore market.*

The international implications of all this remain unpredictable.

There will be unhappiness abroad at the way the local authorities have tolerated the *stockbroking practices which lie* at the heart of the crisis and failed to monitor the lending activities of the mostly foreign banks which have financed these practices. But the *banks, like* the brokers, found it lucrative *while it lasted,* and have few stones to cast. The authorities also acted swiftly and ruthlessly when it mattered.

When the two exchanges reopened yesterday, there was no forward trading and therefore no related proliferation of credit between stockbrokers and their clients—the problem at the heart of the crisis. The S$180m (£57.14m) line of credit *set up this week will ensure* that in future, obligations between brokers and their clients are honoured, but will also mean that broking firms which are found to *be in difficulties* will have to submit to special *monitoring.* If they become insolvent, they will be forced to cease trading—this is designed to ensure that the obligations of one insolvent company are not passed on *to other stock*brokers, thereby threatening the soundness of the entire system.

If some stockbrokers go to the wall, as seems likely, the banks will be allowed to take *them over. Other outsiders,* including foreigners, will also be able to participate more directly.

The Securities Industry Act is meanwhile being amended to end "self regulation" by the *stock exchange.* From now on, it will be even more the territory of the powerful Monetary Authority of Singapore, the country's equivalent of the central bank.

Existing plans are also ex*pected to go ahead*—though conceivably with some delay—to start up an Unlisted Securities Market, to persuade more foreign corporations to become *listed* in Singapore, and to start up a stock index futures contract at Singapore's financial futures exchange based on a local stock exchange index.

The *same is likely for plans* to widen the local bond market, proposals to allow individuads' forced savings to be invested in stocks and bonds and the idea of encouraging international fund management in *Singapore.*

In all of thes cases, the past fortnight's events have made the time ripe for the Government to act boldly, radically and speedily *rather than simply* wait in trepidation. That means *attention will remain focused* on the Monetary Authority and in particular Mr Joe Pillay, its managin director.

In handling this crisis he has emerged as the key tosuccess, and that could be even more *true in the future.* For the financial sector, which enjoys a controversial love-hate relationship with the Authority, the next few weeks will be a real test of faith.

SHARE-TRADING TIME BOMB THAT TOPPLED AN ASIAN PYRAMID

IT IS difficult enough for bankers, let alone the man on the Singapore omnibus, to *understand how a tiny S$7.5m* (£2.38m) debt default by an S$80m company can shut the island state's stock market and, through its psychological impact, threaten Singapore's status as a financial centre. Yet *that is what seems to have* happened with the Pan-Electric affair.

The reason is a vast system of off-market share transactions done on a forward basis by many of Singapore's stock*broking firms.* Pan-Electric was committed to S$140m-worth of forward share purchases it couldn't meet, threatening brokers with heavy losses and jeopardising the *whole system* of stock market trading.

*The value of outstanding for*ward transactions is estimated locally at S$600m, though some people believe the figure may be higher. Banks—the vast bulk of them foreign—have lent S$900m-S$1bn to fund this sys*tem, making the potential* impact on banking profits quite as vital as the effect on the stockbroking industry.

At the heart of the system are the stockbrokers, who have acted as mini-banks and created *a pyramid of credit for their* clients in which the only collateral is shares.

Typically, an entrepreneur or speculator who owns shares in company A tries to find another person or company B willing to buy those *shares six months* ahead. On the security of this deal, the entrepreneur can go to his own broker and sell the shares to him to raise cash immediately.

The stockbroker, for his part, *will pay using cash raised from* a bank on the strength of a contract note for the forward deal between his broking house and company B. Often a second broking house may be involved as an extra entity between the *original* broking house and company B.

There is, of course, nothing unusual about someone using shares to raise money from his bank by pledging them as collateral. But generally he might *expect to raise about half their* value as cash, leaving a comfortable margin to protect the provider of the credit against a rainy day.

In Singapore, the amount a stockbroker can raise from a *bank is closer to 100 per cent,* especially if the next entity in *the chain is another broker.*

The stockbroker thus acts as *an ideal* intermediary between the bank and the cash-hungry holder of shares.

It is this ability of brokers to create credit and their willingness to undertake forward contracts on a three-month, six-*month or even 12-month basis* which precipitated Singapore's stock market crisis.

The crucial additional factor in the case of Pan-Electric was the collapse of a deal undertaken a year ago between Mr *Tan Koon Swan, a Malaysian* entrepreneur, and Mr Peter Tham, a stockbroker with Associated Asian Securities of Singapore.

Mr Tan controls a stable of companies centred on Grand *United Holdings and Supreme* Corporation. Mr Tham was, until June, a director of Pan-Electric. In November last year, the two apparently reached an understanding: Mr Tan would buy Pan-Electric shares, while *Mr Tham would buy on a six* months forward basis shares in Grand United and Supreme and yield cash in Mr Tan's hands.

A total of 35m Pan-Electric shares were acquired by Mr Tan, through a company called Everpeace, *and about eight* other parties. By March a complicated deal was under way which allowed all these parties to get out of Pan-Electric by *swapping their stakes for* shares in Sigma Metal, now called *Sigma International.*

The operation left Mr Tan with a 44 per cent stake in Sigma through Grand United and an indirect 22.6 per cent holding in Pan-Electric through Sigma. When Pan-Electric de*faulted on a scheduled debt* repayment earlier this month, it seemed Mr Tan was under no obligation to get involved in a rescue. Yet that is precisely what he did.

One key reason, it turns out, was Mr Tham. Instead of keeping his end of the deal, he shifted his personal undertaking to buy Grand United and Supreme shares onto subsidiaries of *Pan-Electric,* and disappeared. He is believed to have left the country.

Pan-Electric was left with a time bomb in its vaults — a commitment to buy shares which it could not meet. This in turn threatened to blast a hole in a pyramid of speculative *transactions spread across the* whole Singapore security market.

Indeed, it was these forward commitments, not the S$7.5m debt default, which led to the suspension of Pan-Electric's shares and Mr Tan's involvement in 11 days of abortive *rescue talks.*

Associated Asian Securities is now *reckoned to be facing* serious difficulties and crisis *talks which followed this week's* suspension of trading have led to a ban on forward transactions and severe curbs on the credit creating activities of stockbrokers.

Men and Matters

New deal for Bellamy

There has been little love lost between Carol Bellamy, the feisty 43-year-old president of New York City council, and Mayor Ed Koch, who trounced *her in last month's mayoral* election.

In the rough-and-tumble traditions of New York City politics, the effervescent Koch described Bellamy during the election campaign as a "horror *show." Bellamy riposted by* calling Koch a "fraud" and a "phony."

But peace now appears to have broken out between the two rivals. Gracious words are being exchanged following Bellamy's announcement that she is swapping her desk in City Hall and $90,000-a-year salary as the second most powerful person in the city government, for the deal-making rooms of blue chip investment *bankers, Morgan Stanley.*

Bellamy, who served two *years in the Peace Corps in* Guatamala, trained as a lawyer and joined the Wall Street law firm of Cravath, Swain & Moore, before entering city and state government 13 years ago, will join Morgan Stanley's tax-*exempt securites division on* January 1 when her second term as city president expires.

She says she will "roll up her sleeves" and "really do the deals" in her new job — which, *no doubt, is just what is* expected by Robert Gerard, Morgan Stanley managing director and head of the tax-exempt division, who described her as a "bright, articulate and competitive individual; the *precise attributes we look for* in an investment banker."

The appointment could be a big booster for Morgan Stanley's municipal bond division *which was founded in 1983* and has managed over $16bn in tax-exempt *financing so far this* year.

"Aren't you the by-election candidate who promised to *cure unemployment if we* voted for you"

Seconds out?

Will the Cassandra-like voice of the Lords Select Committee on overseas trade — which so annoyed ministers with its warnings about the decline in British manufacturing industry — ever be heard again?

The committee officially ceased to exist the moment it presented its report. It was an Ad Hoc body; and thus will *not come under the procedure* by which other select committees are given renewed life each session.

Lord Aldington, whose robust but diplomatic chairmanship was a key factor in producing the unanimous report, evidently believes there is an on-going job to be done.

The committee's findings *stimulated* a huge follow-up correspondence; and there were many issues that its inquiries only lightly touched upon or had to leave aside.

Employment Secretary, Lord Young, dealt more gently with the report in the Lords' debate than Leon Brittan, Trade and Industry Secretary, and Nigel Lawson, Chancellor of the *Exchequer, had done earlier.*

But he was equally dismissive — and ominously silent about the question of the committee's future.

The Government, *I guess, will* have to be hard pressed by the peers before it gives any more hostages to its political fortunes by agreeing to revive the committee in time to deliver another report before the next *general election.*

Goodwill fund

Back in 1689, Jacob Leisler, an ancestor of Walther Leisler Kiep, treasurer of West Germany's ruling Christian Democratic Union, was stirring up *revolution in the United States,* leading a rebellion against the Governor of New York State.

This week, the urbane Kiep has been in Washington as an emissary of Chancellor Helmut Kohl on a mission of a rather different kind. He delivered the good news that the West Ger*man Government* had decided to provide another $40m grant to the German Marshall Fund of the United States.

The fund was set up in 1972 as a memorial to the US Marshall Plan. An American *institution*—there have been no Germans on its board—its objectives have been to *promote* better trans-Atlantic understanding. Its grants have helped to finance US/European exchanges as well as the foreign coverage of America's national public radio and a catholic range of Washington think tanks, including not only the *liberal* Brookings Institution but also the right-wing Heritage Foundation.

The debate in the German Parliament about whether to provide further funds has been intense. One result is that a German advisory board has now been established to give the Federal Republic a voice in how the funds are spent. Half of the *finance is now to go to bilateral* German/US projects.

But Kiep *mantains that sup*port for the fund in Germany is strong. "I might say even the Greens are supporting the new grant," he remarks, in a veiled reference to the antagonism many Green party *members have* expressed towards the US.

The increasingly hostile attitudes of many young Germans is one reason wh some Reagan administration officials feel that efforts to intensify US/West German contacts are needed. Some are *suggesting* that the US should look for ways to reciprocate the gesture from the Bonn Government.

Shower chat

Family life in the US used to centre around the kitchen table. But judging *by some of the gifts* being advertised for this Christmas the location has moved to the bathroom.

One item is simply called Showerring. *It is a* water-resistant telephone so that you will not miss that important call.

For people who like to sing in the shower, several catalogues are offering Shower and Sing—*a water-resistant radio to mount* on the tiles.

When you step out of the bath there is no need to reach for a towel if you are fortunate enough to be given one of the new home robots on the market. Your intelligent piece of hardware will hand you the towel.

Home robots range from the Space Mutt Robot Monster for $75, *which simply wheels* round carrying a tray, to the sophisticated Omnibot for $499. As well as handing you a towel, Omnibot can pour coffee and recite you through your morning exercises.

One of the *best-selling lines* so far this season is a fake *bleeper designed to get you out* of any situation. If a meeting or dinner party is dragging on, and escape is proving difficult, your bleeper goes off, a red light flashing.

It is proving popular in the New York business belt.

Observer

POLITICS TODAY: AID

People still care after all

By Malcolm Rutherford

THE WEEK in which the British Government formally announced its decision to withdraw from Unesco, the United Nations organisation responsible for the global spreading of education, science and culture, is an appropriate time to have a look at what is happening to aid in general.

Overseas aid used to be a big political subject, perhaps especially in Britain: an ex-colonial power with continuing responsibilities to its former colonies. Lord Wilson when he was Prime Minister made a point of having a Minister of Overseas Development with a seat in the cabinet, though he ceased to adhere to it during his period in office.

It was a big subject internationally, too. The United Nations passed a resolution saying that developed countries should provide 0.7 per cent of their gross national product in net official development assistance to developing countries. The aim was to move to 1 per cent of GNP within a few years. Yet somehow the matter stopped being a major talking point.

Britain's net aid to developing countries in 1984 was a little over £1bn or 0.33 per cent of GNP. It was not wildly out of line with that of fellow Western industrialised countries, but it was still less than half of the target agreed in the 1970s.

Until recently hardly anyone except the aid specialists seemed to care. There were few domestic votes to be won by increasing overseas assistance. There have been signs this year, however, that the climate is beginning to change.

The pictures of the Ethiopian famine on television, for example, stirred the conscience and there was a widespread desire to help. Mr Neil Kinnock, leader of the Labour Party, has emphasised the need to increase the aid programme several times, most movingly in his speech at the Party Conference at Bournemouth in October, and may be moving to a firm commitment to do so should he become Prime Minister.

Mr Willy Brandt, the former West German Chancellor, goes round tirelessly conducting his north-south campaign that began with the publication of the Brandt Report in 1980. The Socialist International, chaired by Mr Michael Manley, the former Prime Minister of Jamaica, has recently produced a follow-up* which has been selling well.

Meanwhile, the British Government has been strangely silent on the matter: not ineffective, certainly not destructive, but just reticent. There has been no British White Paper on overseas aid policy since Mrs Margaret Thatcher became Prime Minister in 1979, only a brief statement after a policy review by Mr Neil Marten, then the Minister for Overseas Development, in February 1980.

The statement said that Britain was in favour of aid in principle, though within the limits of resources. It emphasised the importance of free trade and the dangers of protectionism and said that private investment "can and should" play a greater part in development.

Mr Marten added: "We believe that it is right at the present time to give greater weight in the allocation of our aid to political, industrial and commercial considerations alongside our basic developmental objectives."

There was some emphasis on the need to help the poorest people in the poorest countries, to maintain British ties with the Commonwealth and to set funds aside to allow for prompt reaction to emergencies: all that part of the policy being much as it was inherited from Labour.

Also inherited from Labour was the Aid/Trade Provision, indirectly supplying British companies with subsidies for overseas contracts, which Mr Marten announced would be stepped up.

"Since 1978," he said, "about 5 per cent of the bilateral aid programme has been made available from the Aid/Trade Provision for sound development projects (which are also of commercial and industrial importance for British firms) in developing countries to which we do not normally provide aid or where the planned allocation is already committed. In order to maintain the value of this provision in real terms, its share of the bilateral aid programme will now be increased."

Mr Timothy Raison, the responsible minister since January 1983, has broadly stuck to the guideliens laid down by Mr Marten ,saying that no further elucidation is needed. He may be wrong. A great deal in the contours of the aid programme has changed in the past few years, and it could be time for another White Paper explaining what the Government is trying to do, and how.

It would be particularly apt shortly after the withdrawal from Unesco, a decision which is likely to be widely misinterpreted: "nasty, narrow-minded nationalism" as Mr Edward Heath, the former Tory Prime Minister, has already called it.

In my view it was nothing of the kind. Unesco had become a bureaucracy beyond reform. The international spread of education, science and culture can be better developed without it: for instance, by a series of *ad hoc* multilateral and bilateral programmes. The test for the Government, however, is to show that, far from retreating from overseas aid, it is trying to refine it and make it work.

Here are some examples of the way the situation has altered since the years when most people thought simply that aid was a good thing and there was little more to be said about it. In 1984 for the first time donors of food aid collectively surpassed the target of 10m tonnes of cereals which had been set by the World Food Conference a decade before. Yet there were more people dying of starvation in Africa than ever.

The food aid is a bonus, but clearly what is needed is structural change in the developing countries concerned so that they can do more to feed themselves.

The political changes in China have meant that a huge new recipient has entered the aid market. China never used to be thought of as a candidate for aid, if only because the country's leadership did not want it.

There is a similar, though smaller, case concerning Britain and Indonesia. The latter was never much of an obvious target for British aid, since in the 1960s the country was practically at war with it over Malaysia. Yet times change: Indonesia is now seen as an important, friendly developing country which could do with assistance.

China and Indonesia come in another way as well. It is not so much outright aid that they want as soft loans for development projects. That brings us back in turn to the Aid/Trade Provision in the aid budget.

Recenly it has been running at 7 per cent of the whole. It was increased yet again last month when the Government announced a new soft loan facility to assist developing countries by lowering their interest rates on long-term loans from the private banking sector.

Yet this is not aid in the traditional sense at all. It is part of an international competition among the developed countries to secure contracts for their major companies in the Third World. The business is known as "mixed credits." In fact, it is a straight subsidy.

Sometimes Britain wins, sometimes it loses. It lost the contract for the second Bosporus bridge in Turkey because the Japanese made a better offer, and there were considerable recriminations between British Government and industry about why the negotiations were not better handled. British Leyland may have lost a contract to supply buses to Thailand because the Thai authorities wildly overestimated what they could afford. The British Government lost £35m which it had put up for a steel plating mill in Mexico when the Mexicans decided not to go ahead with the project after it had been started.

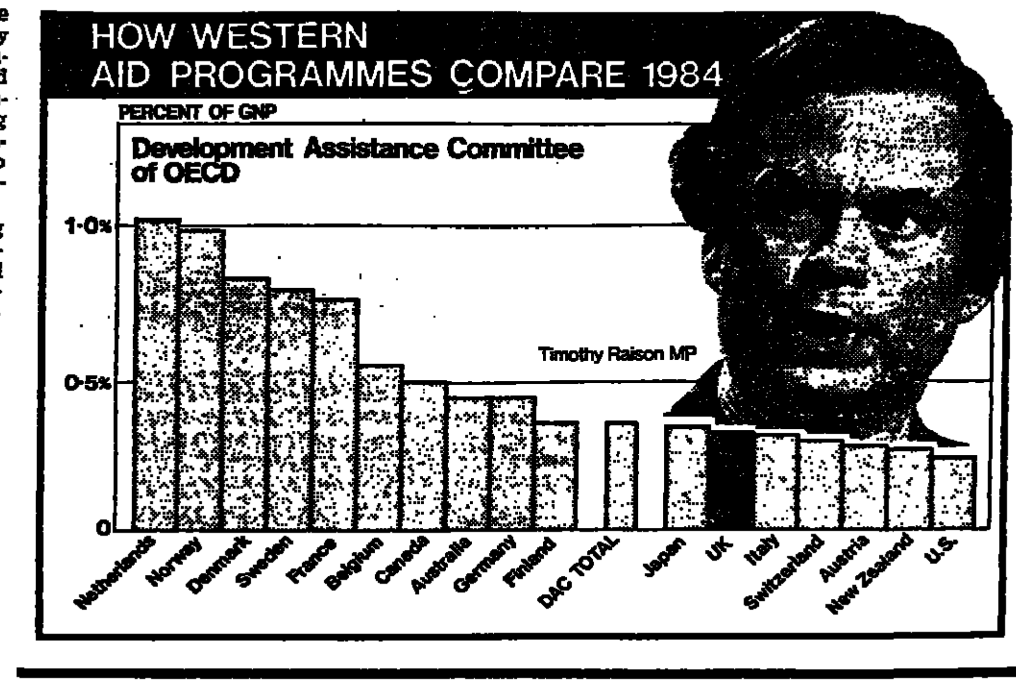
Indeed, it sometimes seems as if one of the main purposes of aid is to keep companies in the developed world in business. The evaluation of what the developing countries need and can pay for may be lacking.

Mr Raison admits all these defects and in a quiet way is working towards reform. His Department, he says—and some of his officials agree—has become "rather Thatcherite." The key test has become whether an investment is justifiable both for the donor and the recipient: is it going to help human beings and is it affordable?

The new emphasis is on the English language, which is probably one of Britain's biggest single assets. It is a matter of training the trainers and teaching the teachers, rather than reaching out directly to the masses. Particular stress is laid on identifying the obstacles to change within the bureaucracy and improving the infrastructure.

It is not a bad story, despite the low level of GNP devoted to it, and it is rare nowadays to come across anyone who thinks that the world would be changed overnight if aid were to be doubled. But it is a story that could be told more publicly and one suspects that there could be a great deal more effective international co-operation. It is a question of setting priorities. Mr Kinnock should take up the ball and run if the Government remains quiet.

* *Globa challenge: Pan Books*



WHERE BRITAIN'S MONEY GOES

TEN LARGEST RECIPIENTS OF BRITISH BILATERAL AID 1984

Country	£m
India	147
Kenya	38
Bangladesh	36
Zambia	32
Tanzania	30
Indonesia	28
Sudan	27
Sri Lanka	26
Thailand	20
Pakistan	18

Lombard

Who needs a Channel tunnel?

By Andrew Taylor

"Just what good is a Channel tunnel or bridge going to do me? Why do I need it?" asked the Midlands export manager.

"Think of it this way," replied the Conservative member, ordering another round, ever mindful of his mall majority, "it will bring great benefits to industry and to the economy.

"The ability to move British goods more quickly and easily to the Continent—I don't know if you realise it but at least three fifths of our trade is with our EEC partners . . ." he continued, warming to his theme, silently thanking Central Office he would not be standing in Dover at the next election.

"Do you mean to tell me," his questioner interrupted, "that a car manufacturer in Cologne is more likely to buy widgets from Solihull just because they are going to arrive 2½ hours earlier?"

"Anyway if exports are going to get out more easily doesn't that mean imports will be able to get in more easily? Surely the export/import balance depends more on fundamentals like productivity, value for money and reliability rather than saving 30 or 40 minutes on a Channel crossing."

"You are right, of course, but . . . ," the Conservative member considered discussing the merits of Britain's investment in the EEC, European solidarity and the prospects of forging closer links with the Continent. The export manager appeared to have an uncanny ability to read minds.

"It just seems an awful lot of money to pay for a symbol of European unity. And what are lorry drivers going to do with the 30 minutes they save given the limits on drivers' hours? Is it worth spending £5bn or even £9bn (after allowing for inflation and interest charges) just to make Continental holidays easier?"

"Ah," it was said in a long drawn out fashion, of a man confident of making a telling point: "It may be an awful lot of money but not a single penny of taxpayers' money will be involved. It's all going to be paid for by the private sector and if they want to invest and create jobs, then who are we to prevent them?"

That should have been the end of it but export managers are not easily defeated. The nature of their profession makes them persistent. The reply was swift and took the form of a string of questions.

"What long-term employment will it create? What will it do for the Midlands? Won't it just encourage more jobs to move south? How can you be sure my taxes won't be used to bail out a tunnel or bridge if it runs into trouble? It is such an enormous investment that the government, no matter what it says now, would surely have to come to the rescue."

There was something about the export manager that made the MP speak freely: "You are right, of course. A fixed link will not make British goods more attractive. It will employ fewer people than do the ferries, many of which could be put out of business. Jobs created by companies moving to be near to the link won't help other parts of the country.

"It will not even be any cheaper. Most of the promoters are talking about charging the same as the ferries and if a fixed link achieves a monopoly . . . ."

"Then why build it?" persisted the export manager.

The Conservative member smiled gently, as a man confident his strongest argument was yet to come.

"Just imagine," he said, "the impact an investment this size will have on the rest of the economy. Consider, for example, contractors: they will take on more workers and buy things like cement, steel aggregates and construction equipment, and the extra demand will spread throughout the economy . . . . Why, even your company could pick up more orders."

The export manager interrupted excitedly: "And the extra workers who have been taken on will buy goods made by other manufacturers."

"I think you are beginning to understand it," said the Conservative member.

"Just one last question," said the export manager. "If large scale investment in infrastructure benefits the economy, isn't it time the Government itself did a little more of this kind of things? Like the £1bn the CBI is asking for?"

Letters to the Editor

The Church and the cities

From the Executive Director, Managerial, Professional and Staff Liaison Group

Sir,—The report prepared for the Church of England "Faith in the city" does need serious consideration, principally by the Church since it, as one of the largest social agencies, must accept some responsibility.

The report presses for some social and economic changes but would affect those who have been attempting to make savings, buy their own houses and prepare themselves for the future, both immediate and in old age.

The MPG Council has condemned the suggestion that mortgage tax relief should be put into question. It takes the view that the current figure of £30,000 which is the maximum amount allowable for tax relief is too low and has not kept pace with either inflation or house prices. In a recent submission to the Chancellor the case has been made for raising the figure quite considerably.

The suggestion that inner city problems can be sorted out is not out of place, but on whose backs, the commission even talks about a review of pay and taxation?

The Church would do well to look at the pay of its clergymen, lowly paid at the bottom, highly paid at the top.

The Church should also consider a more democratic procedure before publishing a report of this nature.

In our view the Church could have put out a document to its deanery synods even parochial church councils, asking questions and thereby fact finding.

The idea that an 18 man commission can provide all the answers is not on.

Wilfred Aspinall.
*Tavistock House,
Tavistock Square, WC1.*

Covering the facts

From the Director, Freedom Organisation for the Right to Enjoy Smoking Tobacco

Sir,—Once again the director of ASH thinks (November 30) that your News Editor should be guided by criteria other than news value in determining the extent of his coverage for smoking related issues.

David Simpson complains that you awarded 3.5 column inches to the latest British Medical Association report on smoking and yet gave fourteen inches to a report on Rothmans' profits.

The point surely is this: changes in the profits of Rothmans are news in the strictest sense of the word. Identification of the risks and dangers of smoking is not news. We have heard about those risks and dangers ad nauseum for decades.

Pressure group campaigners like Mr Simpson should be told that newspapers are in the business of reporting new facts and events not old prejudices.

Stephen Eyres.
3-9 Bondway SW8.

Life sales licensing

From the Managing Director, Crown Financial Management

Sir,—Eric Short's report (December 2) that the life assurance market is divided over the Marketing of Investment Boards Organising Committee (MIBOC) licensing proposals reflects the situation most accurately. He will also know that the ovation received by Mr George Ramsden at the Chartered Insurance Institute conference to which he referred could lead one to believe that most of the industry agrees with Mr Ramsden and that the MIBOC proposals have been drafted to reflect the views of just a small section of the industry.

MIBOC has no reason to be surprised: my company submitted detailed proposals which meet many of the points raised by Mr Ramsden. It was also clear at the conference that many members of the MIBOC licensing sub-committee are unhappy with the current proposals.

The danger that exists now is that the public row that is developing because the MIBOC is so far out of touch with reality will lead the Government to reject the whole concept of licensing. This would be a mistake, especially so because for many years sections of the industry have been pushing for the introduction of licensing as an important step in consumer protection and in raising standards generally.

The way ahead is for MIBOC quickly to reconsider its proposals in the light of the criticism it has received. A much better basis for licensing would be as follows.

Proceed with the introduction of individual licences along the lines proposed by MIBOC with all those who wish to sell life assurance and unit trusts required to hold such a licence and adhere to a code of conduct. Disciplinary procedures to be available to control wrongdoers.

Require life companies to take responsibility for the training and conduct of their tied agents. Such training to be to a standard set by the appropriate self regulatory organisations and independently checked by, say, the CII. Life companies would be required to issue licences appropriate to the products each salesman is to be allowed to sell.

Independent intermediaries would operate a similar system to standards to be determined by their own SRO, which would also be responsible for issuing licences, a responsibility it could delegate where appropriate.

The CII or other training body could provide courses and testing facilities for situations where the life assurance company or independent intermediary preferred not to undertake the responsibility itself.

The industry must move quickly to agree a practical and effective method of licensing its salesmen if the current proposals are not to be regarded as anti-competitive and self-serving. It would be a tragedy if this opportunity to introduce licensing were missed because MIBOC fails to listen to collective views of the industry, especially so because MIBOC was responsible for stimulating the current debate.

A. J. Duggin.
*Crown House,
Crown Square,
Woking, Surrey.*

Co-ordinated expansion

From Mr D. Earnshaw and Mr N. Phipps

Sir,—The thinking of the Labour Economic Policy Group is muddled on the question of UK membership of the exchange rate mechanism (ERM) of the European monetary system (EMS). Shaun Stewart (November 28) completely ignores the contribution which long-term exchange rate stability is likely to make to UK manufacturing industry dependent on export markets. Far from being "bound to suffer," British industry would be provided with a more predictable operating climate. The DM/sterling exchange rate may currently be inappropriate for UK membership of the ERM but continued reliance on a policy of competitive exchange rates will merely delay structural adjustments necessary in the domestic economy. The same applies to the Labour Party's atavistic enthusiasm for trade barriers as a viable solution to economic decline.

The Continental left (like the Labour Party) support reflationary policies. They find it easier, however, to understand the rationale behind a co-ordinated European response rather than the "go it alone" approach advocated by Shaun Stewart. The French and more recent Greek cases have demonstrated the costs of import substitution accompanying solely domestic reflation. As is now fairly widely accepted, there are also most likely to be considerable synergetic benefits for the national economies were economic expansion to be co-ordinated across Europe. In this context the EMS would be an important asset. Admittedly, the adjustment mechanisms of the EMS will need to be directed to more reflationary objectives (ie a greater use of the borrowing facilities available via the EMS).

The Labour Party brings itself into disrepute by espousing ideas which relate to the international economy of the early 20th century. In the face of the vastly more interdependent world economy, it would be more appropriate for the Labour Party to approach issues such as the EMS (or, for that matter, the European Community) from a less negative stance. The Labour Economic Policy Group is apparently reluctant to modify institutions and policies to achieve the objectives sought by the left. Their zero-sum approach is surely not in the long-term interests of either the Labour Party or the national economy.

David J. Earnshaw,
Nigel Phipps,
136 Tufnell Park Rd, N7.

Complacent farmers

From the National Secretary, Agricultural & Allied Workers National Trade Group

Sir, — John Cherrington is wrong (Farmers' Viewpoint, December 3).

Bernard Matthews plc did not buy New Zealand lamb because it was cheaper, or because there is a glut in New Zealand but because no British producer was prepared to do the necessary preparation work which, by law, Matthews cannot do at its poultry-meat factory.

We were as concerned as any when we were informed of the Matthews decision and were equally shocked at the complacency of the National Farmers' Union on the issue. We have no reason to disbelieve the assurances we received from Matthews that it made every effort to use British lamb but was frustrated by abattoirs and producers.

John Cherrington need look no further than at the byzantine problems of the National Farmer's Union to see why its public response to the deal was so muted.

Jack Boddy.
308, Grays Inn Rd, WC1.

FINANCIAL TIMES
Friday December 6 1985

Britain confirms decision to quit Unesco

By Our Political and Foreign Staff

BRITAIN will leave the United Nations Educational Scientific and Cultural Organisation, (Unesco) at the end of this month and will use the £4.6m ($6.8m) annual savings to increase aid for education, scientific and other activities designed to benefit developing countries, particularly in the Commonwealth.

The expected confirmation of the UK's withdrawal, made in the House of Commons yesterday by Mr Timothy Raison, Minister for Overseas Development, was strongly criticised by the opposition parties and by a sizeable minority of Conservative backbench MPs.

Mr Amadou Mahtar M'Bow, Unesco's director-general, reacted last night more in sadness than anger at Britain's decision.

In a statement regretting and expressing some surprise at the British withdrawal, Mr M'Bow recalled the major role the UK had played in establishing the organisation, whose first director-general was Sir Julian Huxley.

Mr M'Bow said Unesco would continue to work with all British scholars, artists, scientists, parliamentarians and communities who shared Unesco's ideals and principles and "with those who continue to believe that the rightful place of the UK is within the organisation."

Mr M'Bow claimed that many British parliamentarians, educationalists, scientists and scholars had reaffirmed their faith in Unesco's goals and activities and approved recent development in its operations.

Mr Raison said that reforms in the organisation had fallen "well short of what we believe could justify continued British membership." Consequently, the 12 months' statutory notice of withdrawal, given in December last year, is not being withdrawn.

He said that the savings would lead to more support for education, mostly to be carried out by the British Council, particularly with increased allocations for training in Britain for students from poor countries in the Commonwealth and elsewhere. There would also be support for assisting international science.

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Texaco call for $500m ceiling on damages

BY MARY FRINGS IN HOUSTON

TEXACO, the US oil major, returned to a Texas courtroom yesterday to contest vigorously the $10.5bn damages awarded against it on November 19. Its lawyers argued that any damages that might eventually be awarded to Pennzoil in compensation for Texaco's acquisition of Getty Oil last year should be no higher than $500m.

Texaco shares, bonds and other securities have been heavily sold by investors since the huge award in Pennzoil's favour last month by a Texas jury. Pennzoil, a smaller, Texas-based oil company, was unsuccessful in its own bid for Getty. The Texaco lawyers are trying to prevent the judgment from being entered, although Judge Solomon Casseb, who also presided over the original hearing, declined to indicate when he might rule on this request.

It was standing room only in the small Harris County District Court this morning well over an hour before the proceedings started, as journalists, lawyers, oilmen and investors strained to get in.

Texaco denies any liability, on the basis that there was not a binding and enforceable contract for Pennzoil to acquire three sevenths of Getty stock before Texaco made its higher bid on January 4 last year. But Mr Richard Keeton, a Texaco lawyer said $500m was the difference between the price of Getty stock on January 3 (at $112.50) and the fair market valuation based on Texaco's bid.

The same sum could be arrived at by computing the discounted replacement costs of the billion barrels of oil that Pennzoil could be expected to have recovered over a 25-year period less the $3.4bn it was prepared to pay for the Getty stock.

The discount suggested was 12 per cent. Texaco is requesting judgment on the issue.

Submitting that there was no conflict in any of the jury's findings, Pennzoil's lawyer, Mr Joe Jamail, said the size of the award should not have any bearing on the judgment. "The amount of zeros have never played a part in whether something is right or wrong," he said.

Lloyd's drops plan to curb powers of chief executive

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

THE LLOYD'S of London insurance market has dropped plans to curb the powers of the market's chief executive, in the wake of the resignation of Mr Ian Hay Davison, the present chief executive, and as a result of pressure from the UK parliament and the Bank of England.

Mr Peter Miller, chairman of Lloyd's, said in a speech yesterday in London that Mr Davison's successor "will be offered the same terms of reference as the present chief executive." These terms, he added, "may need to be expanded to make it clear that the job offered is a long-term one and also expanded to emphasise the chief executive's responsibility for managing the support services for the market."

Although there was likely to be change in the future chief executive's priorities in the market, the new official would enjoy the same position and management functions as Mr Davison.

The new chief executive, Mr Miller emphasised, would report to the chairman and to the ruling council and would form "part of a team with the chairman and the two other deputy chairmen who together preside over the affairs of the society (of Lloyd's)."

Mr Miller's speech on the future role of the chief executive surprised members of the Lloyd's insurance market yesterday as an internal inquiry is underway, led by Sir Kenneth Berrill, a member of Lloyd's council. That inquiry is reviewing the top policymaking and executive functions at Lloyd's and has yet to report.

Mr Miller said that Lloyd's had identified "three immediate and key tasks for the chief executive." The new executive, he said, would have to maintain the pace of regulatory reform: provide a smooth running Corporation of Lloyd's to provide support services for insurance brokers and underwriters; and to assist the market in taking full advantage of information technology in their business.

"We are committed to the concept of a chief executive, whose 'independence' is assured by the fact that he will be a nominated member of the council," he said.

Mr Ian Hay Davison had been brought into Lloyd's by the Bank of England to help to reform the market after a series of scandals. He resigned last month when attempts were made by Lloyd's to curb his status

Mr Miller said in his speech yesterday that he was "genuinely bemused" when Lloyd's was accused of "back-sliding" in its reform programme. He said that further rules were planned "to bring to an end abuses of the past" in which Lloyd's professionals had gained financial benefit at the expense of other members of the market.

Japanese group wins Hong Kong tunnel contract

By David Dodwell in Hong Kong

A CONSORTIUM headed by Kumagai Gumi of Japan was awarded a HK$3bn (US$384.6m) contract yesterday to build a road and rail tunnel linking the east of Hong Kong island with East Kowloon.

The contract has been fiercely contested for eight months by three consortiums. It is one of the largest civil engineering projects in Asia and enhances a leading position in the region for Kumagai Gumi.

The tunnel will link Quarry Bay on Hong Kong island with Cha Kwo Ling in Kwun Tong, east of Kowloon. It will be Hong Kong's third harbour crossing. The first, a road tunnel, links Wanchai on Hong Kong island with Twim Sha Tsui in central Kowloon. It opened more than 15 years ago and is now heavily congested. The second, which carries commuters on the mass transit railway between Hong Kong's central district and the New Territories, is only five years old.

Apart from Kumagai Gumi, the main partners in the successful group, called the New Hong Kong Tunnel Consortium, are Lilley Construction of the UK, Paul Y Construction of Hong Kong and the China International Trust and Investment Corporation (CITIC). Also associated are Everbright Industrial, a mainland Chinese group based in Hong Kong, and Marubeni of Japan.

The consortium has been awarded a franchise for the road tunnel for 30 years and the rail tunnel for 22 years. Work on the tunnel will begin early next year and should be completed late in 1989.

Kumagai Gumi was responsible for building the cross-harbour link for the mass transit railway. It also first raised with the Mass Transit Railway Corporation (MTRC) the idea that the long-discussed second road tunnel should carry a rail tunnel.

The tunnel contract is one of several important construction contracts won in Hong Kong recently by Kumagai. It has been involved in seven big contracts for MTRC, has built a main road in the new town of Tuen Mun, and the nearby Castle Peak Power station, which, when complete, will be the largest in Hong Kong. It has won much of the contract to build the new Bank of China headquarters and is working on Hong Kong's waterfront cultural complex in Tsim Sha Tsui.

The consortium yesterday declined to disclose details of how the contract is to be funded, although the terms of financing are understood to have been one of the main reasons for its being awarded the contract. Since it is a private group, it is uncertain whether such details will ever be known.

Other critical factors included the consortium's unconditional commitment to charge a road toll of HK$10 for each of the 50,000 vehicles expected to use the new tunnel every day. Other bidders matched that toll price but were not willing to make it unconditional, the Government said.

The rent and other financial charges to be paid to the consortium by the MTRC for use of the rail tunnel between Quarry Bay, Hong Kong and Cha Kwo Ling in Kwun Tong, are also understood to be lower than those called for by other bidders. That is a critical factor for the deeply indebted utility.

The most disappointed party after yesterday's decision is likely to be Gammon, the Hong Kong construction group that led a consortium including Mitsubishi and Nishimatsu of Japan and GEC of the UK.

THE LEX COLUMN

Hunger pangs at Hanson Trust

The jobbers' hopes that London might take its cue from Wall Street were rapidly disappointed yesterday morning. The futures helped everything lower early on and then drove the physical market back up again in the afternoon. The tail, it seems, is wagging the dog.

Hanson Trust

Pity poor Lord Hanson. He has spent much of the past few months sitting in the ante-rooms of successive New York courts waiting for judgments which have tended to make the takeover of SCM a rather remote proposition. As matters stand, Hanson Industries may escape from the SCM affair only with enough profit to cover its legal bills.

But that is not the worst of it. The SCM involvement has more-or-less precluded Hanson Trust from tackling a UK takeover at a time when its war chest has never been fuller and the list of British targets is being whittled down by defensive mergers and hostile bids elsewhere. It must all be very frustrating.

Hanson Trust would not just like to make a bid in the UK; it quite simply needs one. Yesterday's preliminary statement showed that the group is, by its own standards, overcapitalised. The summer rights issue has pushed shareholders' funds up to £1.1bn. If Hanson makes an after-tax return of 20 per cent on that figure this year it will be doing well. In 1984, by contrast, the return on equity was roughly a third.

The profit figures for 1985 were well up to scratch, with the pre-tax figure rising 49 per cent to £252m despite a 15 cent adverse movement in the sterling/dollar parity. But they also showed once again that Hanson extracts much the greatest benefit from its acquisitions early on. British Ever Ready is now settling down – admittedly on very high margins – and US Industries failed last year to show any significant growth in dollar terms.

It is now well over a year since Hanson made an acquisition of size and the consequences are starting to show. Pre-tax profits are unlikely to exceed £325m this year in the absence of a deal; after a higher tax charge, that could translate to single-digit growth in earnings per share. And the shares, trading on a multiple of 14.6 times historic fully diluted earnings, are discounting something a bit more special than that.

Beer

Isn't Bass wonderful? In a trading year a week shorter than last time, when it rains all summer and national beer volumes fall, when a brewery strike forces many tenants to buy their beer elsewhere, Bass still wipes the floor with the opposition. An increase in pre-tax profits of 18.3 per cent (net of asset disposals) to £246.3m is the sort of thing usually wheeled out by a company under threat; but the very notion that somebody else could manage Bass's assets better is far-fetched and one can only surmise what the company would have made without the Runcorn strike.

Bass is one of those companies (like J. Sainsbury) which goes on squeezing that extra point of margin out of its basic business just when everbody is saying that the scope for cost savings is exhausted. Last year, Bass duly made its point in the brewing division when market share gains were limited to lager except in Scotland: turnover in drinks increased a mere 5 per cent.

If beer volume increase next year, what with consumer spending being healthy and that, Bass should in its phlegmatic way match the forecast of 18 per cent growth pretax next year put out by Matthew Brown in the heat of defence – but net of property disposals, on which subject the Matthew Brown document is silent.

Of course, there is nothing wrong with a property-based business turning assets into cash to cover special dividend payments, especially in such a knife-edge contest; and Matthew Brown arguably has more to go for on its lager side than the nationals. In a perfect world Scottish & Newcastle's cash offer, valuing Matthew Brown at 20 times 1986 earnings, cannot be ungenerous against a Bass rating of 11 times.

Dee Corporation

Investing in Dee Corporation has become so much an act of faith in Mr Alec Monk's ability to make good acquisitions that even the announcement of a 70 per cent rise to £40.1m in interim pre-tax profits (ex-property) could not stop the shares drifting off 13p to 270p. That the shares have had such a good run in the last fortnight was as much due to hopes of another acquisition to coincide with the results as to optimism on trading.

But if Dee disappointed a market obsessed with mergers and acquisitions, it must have cheered genuine investors in groceries. Retail margins are up a full point to 4 per cent, so Sainsbury is now at least within sighting distance. Some of the cost savings are one-off merger benefits, like the closure of International's head office, but Dee claims there is still money to be saved in the next year or two through centralised distribution and shared ranges with the old International stores. And volumes will rise through the opening of new supermarkets and hypermarkets.

But a prospective p/e in the high teens (assuming £82m for the year) already discounts fairly impressive organic growth. Mr Monk may not in fact have his eye on BHS – it comes too expensive these days – but for the shares to rise much more, he may have to go shopping again.

UK to discuss nuclear test site clean-up

Continued from Page 1

been caused in the Australian population."

The Royal Commission was particularly hard on the Australian and British governments in office during the period of the tests.

It said that Mr Robert Menzies, the former Australian Prime Minister, had lent test sites in Australia to Britain without any reference to his Cabinet. The decision had been taken without the benefit of any scientific knowledge of the hazards involved and apparently without Mr Menzies being informed by the British of more than a broad outline of the British long-term test programme.

Mr Menzies "in taking it upon himself to embrace British interests as being synonymous with those of Australia and to expose his country and people to the risk of radioactive contamination, was merely acting according to his well-exposed anglophilian sentiments," the report said.

It also attacked the Australian Government for accepting British assurances on the safety of the tests without a critical examination by its own scientists.

The report proposed that a special commission should be established, made up of government representatives from Australia, and Britain and the aboriginal owners of the lands where the tests took place, to supervise the clean-up operation.

Shares plunge in Singapore and Malaysia

Continued from Page 1

United, Supreme Corporation and Everpeace Corporation, also controlled by Mr Tan, was suspended at the companies' request. Apart from Pan-Electric, two other companies implicated in the affair – Growth Industrial Holdings and Sigma International – had previously been suspended.

The effect of yesterday's suspensions was to buoy artificially the index figures for the two stock markets' performance.

- Broking analysts said the official restriction of trading to an immediate basis, requiring scrip to be delivered within 24 hours, had dampened foreign interest and severely curbed speculative selling.
- The severest falls in share prices were suffered by second-line Malaysian stocks. Two of these, Promet and Duta Consolidated, lost more than 40 per cent of their value during the day. Sealion, linked to Duta, was the worst performing Singapore share and also fell 40 per cent.
- At least one Singapore broker, Associated Asian Securities, did not trade yesterday. Other brokers came into the market after the authorities persuaded banks on Wednesday to ease their tough stand restricting brokers' credit lines. At least eight brokers are believed to have outstanding forward share obligations.
- About a dozen of Pan-Electric Industries' 68 subsidiaries have joined the parent company in receivership since the weekend. They include Orange Grove Property, one of the repositories of the forward share commitments which triggered this week's crisis.

Why Flick decided to throw in the towel

Continued from Page 1

did much the same to get into the chemicals and plastics fields.

FKF senior was an awe-inspiring, even tyrannical, figure, who kept close watch over the group until he died in 1972 at the age of 89. His was a hard act to follow and many critics say his son has not done so well. They point out that there have been big management upsets at the group's holding, Friedrich Flick Industrieverwaltung. Above all, it is charged that Mr Flick failed to develop an effective long-term strategy for the group, seeing it more from the standpoint of a financial investor than that of an industrial entrepreneur.

There is something in this. The main "core" companies of the group are Buderus, involved in the iron and steel sector, Feldmühle, the country's biggest paper manufacturer, and Dynamit Nobel, which makes chemicals, plastics and explosives. Over the last 15 years Mr Flick also struck out into insurance (the Gerling concern) and took a stake of more than 25 per cent in W. R. Grace, the US conglomerate.

In other transactions, the group bought – but then sold again – a stake in US Filter Corporation and has recently disposed of most of its holding in Krauss Maffei the arms and engineering concern which looked to be one of the "pearls" of the Flick empire. It is hard, probably impossible, to detect a clear pattern in all this.

On the other hand the group is doing well (some parts outstandingly so). It more than doubled its net profit last year and looks set for further good results in 1985, despite the cloud of bad publicity with which the name of Flick is constantly surrounded. Mr Flick can claim to have had a hand in this, not least thanks to the DM 1.9bn proceeds from the group's sale of 29 per cent of its Daimler-Benz stake in 1975.

That sale was widely criticised at the time on the grounds that the money was needed to pay off quarrelling family members – a charge Mr Flick denied. The allegations of "political payoffs" centre on that period when Flick was trying (successfully at the time) to place much of the Daimler proceeds in such a way as to keep its tax bill low. None the less, quite a lot of the Daimler money was used to boost investment and safeguard jobs in the Flick group, helping to lay the basis for today's buoyant performance.

Whether that factor compensates for the apparent lack of an overall concept and the negative effects of the long-running "Flick affair" is quite another matter.

THE FLICK GROUP – 1984*

	DM bn	% change
Total external sales	10.5	+ 5.7
of which		
Buderus group	4.3	– 5.1
Dynamit Nobel group	3.2	+12.2
Feldmühle group	2.9	+17.9
Investment	0.3	+19.5
Employees	43,200	+ 1.5

* Those companies in which Flick holds a majority stake. Flick also holds substantial minority stakes at home and abroad, for example about 10 per cent of Daimler-Benz and more than 25 per cent of W. R. Grace.

The key reasons why Mr Flick decided to sell are probably those that he briefly set out in his "open letter".

First, he is nearing retiring age and has no clear successor either in his own family (he has two young daughters) or outside it.

Second, the family eventually faces inheritance taxes probably running into billions of D-Marks, seriously undercutting its finances and hence weakening the group. That is quite apart from any back tax which Flick may have to pay as a result of litigation on the investment of part of the Daimler funds.

Those two factors together make up an overwhelming case for selling – but Mr Flick was still faced with the problem of how best to do it He disposed of most of Krauss Maffei to the Messerschmitt-Bölkow-Blohm aerospace company, but sale of other group companies one by one would be highly complex and could bring objections from cartel authorities.

Seen in that light, the solution now found (breathtaking at first glance) looks almost inevitable. Flick is to convert itself into an Aktiengesellschaft (joint stock company) and Deutsche Bank will acquire it by the end of this month. The Flick shares, along with the minority holding such as the remaining 10 per cent in Daimler-Benz, will then be offered to the public early next year.

Details have still to be worked out, but the issue will clearly dwarf those of even the biggest companies to have come to the stock market in the last year or two. That alone (apart from its hefty fees for the operation) will surely delight Deutsche Bank, which has been trying to foster stock market development with new entrants for years.

All's well that ends well? Not quite – because the "Flick affair" continues to tick away as before and is always good for new shocks.

Yeutter says $ must fall further

Continued from Page 1

Predicting a $150bn trade deficit in the current year, he said that was "probably the largest it will ever be, and we will see some improvement in the numbers next year." That would not amount to "a downturn, but get a trend going. I suspect we will not see an appreciable change until 1987."

He said that Japanese trade accounted for about $50bn of the current US trade deficit, which was "just unsustainable."

Dr Yeutter said the Japanese Government had responded "in a very positive way," although in areas like leather and footwear, its market-opening measures did not go far enough.

He welcomed the agreement between the US and EEC on restrictions on steel exports and expressed hope for a deal in the dispute over citrus and pasta exports.

He warned, however, that further retaliation might be contemplated, either in the form of increased tariffs on pasta or on other products, if an agreement was not reached "fairly soon."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	20	68	Dubrovnik	S	14	57	Malaga	R	11	52	Salzburg	S	13	55
Albufeira	S	21	70	Faro	C	17	63	Malta	S	18	65	Seoul	C	7	45
Algiers	—	—	—	Florence	C	13	55	Manila	S	32	90	Singapore	F	30	86
Amsterdam	C	10	50	Frankfurt	S	13	55	Miami	F	23	73	Stockholm	C	0	32
Athens	S	19	66	Funchal	C	18	64	Milan	C	8	46	Strasbourg	S	14	57
Bahrain	F	17	63	Geneva	S	14	57	Moscow	Sn	-6	21	Sydney	C	24	75
Bangkok	S	33	91	Gibraltar	—	—	—	Munich	S	13	55	Taipei	S	25	77
Barcelona	F	17	63	Guernsey	R	11	52	Nairobi	C	25	77	Tangier	—	—	—
Beirut	F	19	66	Helsinki	Sn	-7	19	Naples	C	13	55	Tehran	—	—	—
Belgrade	S	15	59	H. Kong	F	23	73	New Delhi	S	23	73	Tel Aviv	S	19	66
Berlin	F	14	57	Innsbruck	S	7	45	New York	F	-1	30	Tenerife	—	—	—
Biarritz	F	15	59	Inverness	F	8	46	Nice	C	13	55	Tokyo	S	15	59
Blackpool	C	8	48	Istanbul	S	15	59	Oporto	R	14	57	Toronto	C	0	32
Bordeaux	F	12	54	Jersey	C	12	54	Oslo	F	-5	23	Tunis	S	21	70
Brussels	S	13	55	Jo'burg	C	23	73	Paris	S	15	59	Valencia	F	16	61
Budapest	Fg	2	36	Las Palmas	S	24	75	Prague	S	13	55	Venice	F	6	43
B. Aires	S	31	88	Lima	S	22	72	Reykjavik	S	-5	23	Vienna	Fg	0	32
Cairo	S	20	68	Lisbon	R	16	61	Rio de J'o	R	21	70	Warsaw	C	11	52
Cape Town	—	—	—	Locarno	C	8	46	Rome	C	16	61	Zurich	S	5	41
Caracas	R	27	81	London	C	12	54								
Casablanca	—	—	—	Los Angeles	C	14	57								
Copenhagen	R	7	45	Luxembourg	S	12	54								
Corfu	C	15	59	Madrid	R	9	48								
Dublin	C	8	46	Majorca	S	19	66								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday December 6 1985

VIAG sets date for 40% privatisation step

BY RUPERT CORNWELL IN BONN

VIAG, the West German state-owned chemicals, energy and aluminium group, yesterday confirmed that it would be offering DM 232m ($92.8m) – or 40 per cent – of its DM 580m nominal capital next June to private shareholders.

The issue represents the main element in the next stage of the cautious privatisation programme being carried out by the Bonn group. In 1986 it hopes to raise some DM 460m in all from the sale of part of its holdings in several publicly owned companies.

The move means the state's direct holding will drop from 87 per cent to 47 per cent. However, if that is combined with the 13 per cent in the hands of the Kreditanstalt für Wiederaufbau, the development and soft-loans bank owned by central and state governments in West Germany, a majority of VIAG will still be in public ownership.

Assuming that German stock markets remain buoyant, the sound financial position of VIAG should ensure that the flotation is successful. In 1984 the group lifted total sales to DM 11.96bn from DM 10.73bn, and net profits climbed to DM 125m from DM 109m in 1983.

Since 1948, the group is estimated to have made over some DM 500m in dividends to the central government.

The two other "privatisations" to which Mr Gerhard Stoltenberg, the Finance Minister, is committed next year involve Prakla Seismos, a Hanover-based energy exploration concern, and IVG, the transport, ship repair and property conglomerate. Under plans announced last month, the Government's 95 per cent stake in Prakla is scheduled to go down to 40 per cent, while at least 51 per cent of its present 100 per cent interest in IVG will be sold off.

Rabobank launches rescue bid

BY LAURA RAUN IN AMSTERDAM

RABOBANK, the Dutch co-operative bank, plans to take over Dutch Ship-Mortgage Bank, an institution it helped to rescue last year.

Ship-Mortgage bank's shares have been suspended at Fl 129, a price which puts a stock market value of more than FL 30m ($10.5m) on the bank. Further details of the offer will be released on Monday.

Rabobank, which provides 90 per cent of the Netherlands' agricultural loans, has Fl 132.4bn in assets and has been expanding its overseas business aggressively in recent years. This year the Utrecht-based bank opened offices in London and Paris, established a joint venture with the agricultural bank of China and significantly boosted its agricultural lending to US farmers.

In a further bid to internationalise its portfolio, Rabobank stepped in to aid the battered Ship-Mortgage Bank by taking an option for as much as a 33 per cent equity stake through a share-capital expansion. A Fl 35m subordinated loan was also extended.

The Rotterdam-based mortgage bank has been hit by the sharp shrinkage of sea-going transport, the decline in ship values and shipowners' defaults. The bank, with a balance sheet total of Fl 1.53bn, expects to break even or post a small loss for 1985 after seeing its earnings fall by 75 per cent to Fl 253m last year.

Rabobank arranged a five-year option in December 1984 under which it secured the right to purchase up to 127,290 newly-issued shares at Fl 215 a share for a potential injection of Fl 27.3m. It has not exercised this option.

IRI delays decision on SME bids

BY JAMES BUXTON IN ROME

IRI, the Italian state industrial holding company, last night opened sealed bids for its food-making and distributing subsidiary, SME, but immediately put off to a later date any decision on the successful bidder.

Earlier Mr Carlo de Benedetti, a leading Italian entrepreneur, said he did not believe IRI would sell SME. Mr de Benedetti agreed with IRI to buy SME for his food subsidiary Buitoni in April this year, but the deal was blocked by political opposition.

IRI's request for the sealed bids, backed by bank guarantees for 20 per cent of the sum offered, was the outcome of the row which followed the announcement in April that IRI had agreed to sell its 64 per cent stake in SME to Buitoni for L497bn ($289.8m).

Apart from Buitoni, three companies are understood to be bidding to acquire IRI's stake in SME. They are a consortium named Industrie Alimentari Riunite, which includes the food groups Barilla and Ferrero, the Lega delle Co-operative (a grouping of co-operatives operating in the foods sector), and Cofima, a food industries group from Naples.

These groups all offered IRI more money for SME when an informal auction developed during the spring.

Buitoni has refused to present the requested bank guarantee.

$100m deal for Monsanto

ANOTHER spate of warrant issues came to the Eurobond market yesterday as syndicate managers tried to tempt investors' appetites. Some buying activity was seen, though it was concentrated in the non-dollar sectors of the market writes Maggie Urry in London.

Two issues of bonds with "harmless" warrants appeared. These protect the borrowers against an increase in the size of the total issue by allowing the exercise of the warrants at first only by surrendering the host bonds, and later by allowing the borrower to call the host bonds.

Merrill Lynch launched a $100m issue with 100,000 warrants for Monsanto, the US chemical group, with a five-year maturity and a 9¾ per cent coupon. The host bond is non-callable for three years and priced at 100½. The warrants are priced at $11. Fees total 1⅞ per cent.

A second issue, also of $100m, was launched for Dart & Kraft, the US food and household products group, by Morgan Stanley, the house which originated the formula. These 10-year bonds have a 10¼ per cent coupon and 101½ issue price and are non-callable for five years. The warrants to buy a bond with the same coupon and maturity are priced at $17½ and fees are 2 per cent.

Both deals came late in the day and were not trading actively though they were quoted just within the full fees.

Merryll Lynch also launched a "naked" warrant issue, where no host bonds are involved. Merrill priced 125,000 call warrants, to buy a Merrill Lynch five-year 10 per cent bond at par, at $14. The exercise period is for two years between December 1988 and 1990.

Another 125,000 puts were offered to sell the US Treasury 9⅞ per cent note due August 1990 at par between December 10 1988 and February 10 1989, a two-month window. These were priced at $17.

In the Samsung Electronics convertible issue the six-day average for the share price was 1,271 won, giving a minimum conversion price of 1,652 won. The exchange rate was set by S. G. Warburg at 889.7 won to the dollar.

Eurodollar prices were slightly firmer yesterday following the late rally in New York on Wednesday evening.

Away from the Eurodollar market Bankers Trust found quite good demand for a Euro-Australian dollar issue. This is for Nord LB Finance, part of Norddeutsche Landesbank Girozentrale, a name which should appeal to German and Benelux investors.

Terms for the five-year bonds were set at a 14 per cent coupon and par issue price. Fees total 2 per cent and the bonds were trading as high as 98⅞, comfortably within the selling concession.

The payment date is not until January 22 1986, so co-managers have a fair time to place their bonds before the problem arises of funding positions at much higher short-term Australian dollar interest rates.

Also going well was a Y10bn nine-year issue for Ville de Montreal led by Bank of Tokyo International. The coupon is 6⅞ per cent and issue price 101⅛. Fees total 2 per cent and the bonds were trading at a discount around 1⅛ per cent.

The first floater on the December D-Mark new issue calendar appeared and with this market overloaded with paper the deal, for Finance Institute for Danish Industry, was quoted outside its full 35 basis point commissions. The DM 100m issue has a five-year life and will pay a coupon of ⅛ per cent over six-month London inter-bank offered rate (Libor). There is a maximum coupon of 7⅞ per cent and issue price is par. Commerzbank is lead manager.

More popular was an issue with equity warrants for Asko Finance, guaranteed by Asko Deutschekaufhaus, the retail group. This DM 150m seven-year issue has a 3 per cent coupon and par issue price. Each DM 5,000 bond has warrants to buy four preference shares. Deutsche Bank is lead manager and fees total 2¼ per cent. The package was trading at around 104.

The Swiss franc foreign bond market improved slightly with trading fairly active. The issue from Small Business Finance of Japan ended its first day's trading at 98½ compared with its par issue price. The 12-year deal has a 5⅝ per cent coupon.

International bond service, Page 26

France to repay part of Eurocredit

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

FRANCE is to repay $800m of drawings under the standby portion of its $3.6bn Eurocredit arranged in 1982 and renegotiated earlier this summer.

Bankers said this is the first time France has decided to repay standby drawings under the credit without at the same time seeking to cut the total amount available. The total package was cut from $4bn when the terms were renegotiated.

Earlier this week, the Finance Ministry announced a fall of FFr 44bn to FFr 4488bn in overall medium- and long-term foreign debt during the third quarter as a result of repayments and the lower value of the dollar.

● Euroclear, the Brussels-based Eurobond clearing house, is to begin providing a same-day issuance and settlement service for Eurocommercial paper.

The move reflects a need to simplify the issuance and placing procedure for Eurocommercial paper as the volume of business increases.

Euroclear said its procedure will involve the deposit of a global note by the borrower in its clearing system

Shipping losses to cost Amerada $430m

AMERADA HESS, the secretive US oil company headed by the 71-year-old Mr Leon Hess, is taking a $430m after-tax charge to cover its losses on its international shipping fleet, writes William Hall in New York.

The company, which earned $185.4m in the first nine months of 1985, is the latest in a string of US oil groups to announce large write-offs.

The scale of Amerada's special charge and its concentration in the shipping sector came as a surprise to some Wall Street analysts. In common with other oil companies, it has been reducing the size of its international shipping fleet, which four years ago comprised 35 vessels totalling 4m deadweight tons. At the end of 1984 it had a fleet of 24 ships totalling 3m dwt tons.

The group said its board of directors had authorised "additional action as part of its restructuring of the company's refining and marketing operations" by approving a special fourth-quarter pre-tax charge of $500m ($430m after tax).

The charge represented, the group said, a "write-down in the book value of certain ocean-going tankers and a provision for marine transportation costs in excess of market rates."

The company was not able to elaborate on the scale of its international shipping exposure, which is known to be partly linked to the rundown of its important refinery at St Croix in the US Virgin Islands.

Canadian Pacific merger agreed

By Robert Gibbens in Montreal

CANADIAN PACIFIC needs a sustained recovery in commodity prices to bring about improved earnings in 1986, says Mr Frederick Burbidge, company chairman. The decline in the US dollar's value will help

CP shareholders, at a special meeting, approved the merger of CP with its 70 per cent owned non-transport holding company, Canadian Pacific Enterprises, on the basis of 1.65 common shares of CP for each CPE share.

Mr Burbidge said group earnings began to decline sharply on a year to year basis from the beginning of the third quarter, because of a weakening in the economy and soft commodity prices – especially for non-tariff metals and pulp.

Consolidated third-quarter earnings were equal to 25 cents a share against 60 cents a year earlier. In the nine months they were C$195.8m (US$143m) or 91 cents a share against C$260.6m or C$1.21 a year earlier.

The fourth quarter will be lower again, Mr Burbidge said. Some industrial subsidiaries and the airlines will do better in 1986, but metals and mining operations depend on higher commodity prices. The railway requires a resurgence in grain movements.

CP shareholders will gain from the elimination of one of the two holding companies. The group, now under CP only, will gain certain tax and financing advantages. There are no plans to increase the CP holdings in partly-owned industrial subsidiaries.

The shareholder agreement with Power Corporation of Canada, headed by Montreal financier Paul Desmarais, remains in place till 1991, he said, though Power sold its 5 per cent direct interest this summer. Power is still free to buy into CP again up to a maximum of 15 per cent of the shares outstanding.

Investa buys control of Elektrisk

By Fay Gjester in Oslo

IN A DEAL worth about NKr 314m ($41.3m), the Bergen-based firm Investa, an investment holding company, has secured control of Elektrisk Bureau (EB), a Norwegian electronics and telecommunications concern in which L.M. Ericsson, of Sweden, has been a major shareholder.

Investa, which took a 25.2 per cent stake in EB three months ago, yesterday boosted this to 59 per cent by purchases from L.M. Ericsson and Nimbus, a finance company.

It bought slightly more than 2m shares, par value NKr 25 each, for an undisclosed price – around 900,000 from Nimbus and the rest from Ericsson.

Earlier this week EB shares were being traded at NKr 157.50 – which would make Investa's 59 per cent holding worth nearly NKr 600m.

Although Ericsson has now sold all but a small part of its former 25.2 per cent stake in EB, it has agreed to continue the technology transfer agreements it has with the Norwegian company.

Seagram profit hit by Du Pont

By Robert Gibbens in Montreal

SEAGRAM, the Canadian drinks group, increased its profits from spirits and wines in the third quarter and nine months to October 31, despite a soft North American market. Overall earnings for the first three quarters declined, however, because of a smaller contribution from Du Pont the US chemicals group in which Seagram has a 22.5 per cent holding.

Overall net profit in the third quarter was $110.7m or $1.20 a share, against $102.7m or $1.12 a year earlier, and in the nine months $206.3m or $2.24 a share against $299.6m or $3.31 a year earlier. Seagram reports in US dollars.

Dividend income from Du Pont in the third quarter was $37.6m against $37m

Smurfit to buy 80% of Times Mirror offshoot

BY HUGH CARNEGY IN DUBLIN

JEFFERSON SMURFIT, the Irish industrial group, said yesterday that its US subsidiary had agreed to buy an 80 per cent interest in Publishers Paper Company, the third largest newsprint producer in the US. At present Publishers is a wholly owned subsidiary of Times Mirror, owner of the Los Angeles Times.

The purchase, due to be completed by February 1, will give Jefferson Smurfit its first interest in newsprint production through Publishers' two plants, which have total output of 580,000 tonnes per year.

Publishers' 12 paper reclamation plants will also make Jefferson Smurfit the world's biggest waste paper collector, Mr Michael Smurfit, group chairman and chief executive officer, said.

The purchase price will be based on Publishers' book price on completion and is expected to be $190m. Jefferson Smurfit Corporation, the US company 78 per cent owned by the Irish parent group, will pay Times Mirror $100m in cash with the balance in a 10 per cent note spread over seven years. Mr Smurfit said the bulk of the cash was being raised through Bankers Trust.

The deal does not include Times Mirror's timberlands and government felling contracts. It follows the breakdown of talks in which Boise Cascade, the US forest products group, was seeking to acquire Publishers.

Publishers, based in Portland, Oregon, showed losses last year of $1.2m but Jefferson Smurfit said the company would return to profit this year. Sales for the first year after acquisition were projected at $350m, with pre-tax profits of $25m-$30m.

Profit forecasts were underpinned by a 30-year contract to supply newsprint to the Los Angeles Times and other Times Mirror newspapers. This would account initially for 70 per cent of Publishers' newsprint output with a price guarantee for the first two years. Thereafter, prices would be based on an average of three large producers in the sector.

Times Mirror will retain a 20 per cent interest in the company. Although Publishers had lost money from 1981 to 1984, Mr Smurfit said that Times Mirror had invested $200m in the company which was now paying off. He said Publishers' debts would be paid by the end of the fifth year. "It's our belief we can pay down debt taken on in this acquisition by between $50m and $60m in year one," he added.

Jefferson Smurfit said the deal was an important strategic development for the group which gave it a new geographic presence and reduced its dependence on the paper box and board industry.

It would significantly increase group profits, which were I£50m ($61.25m) last year, and take external sales well over I£1bn in 1986.

Indosuez and Fiat set up leasing deal

By Our Paris Staff

FIAT, the Italian car group, has teamed up with Banque Indosuez, the internationally active nationalised French bank, to form a joint car and industrial vehicles leasing company in France.

Indosuez's leasing subsidiary Locafrance, the country's largest leasing company, is acquiring a 50 per cent stake in Locafin, the Italian car group's leasing company in France.

The new venture will be called Fiat Bail and is expected to help the Italian group extend its leasing business for industrial vehicles, cars, earthmoving equipment, vans and forklift trucks.

Argentine steel group in debt restructuring

BY HUGH O'SHAUGHNESSY IN LONDON

ACINDAR, the leading Argentine private sector steel producer, is completing a $400m financial restructuring. It comprises a three-year refinancing of $220m of maturities falling due between now and 1989, a $75m loan with an average life of 3½ years and a share issue of some $20m.

The restructuring package has been agreed with 47 banks and is said to be the first since Argentina's global agreement with its foreign creditors in September.

The creditors' advisory committee was made up of the Bank of America, Morgan Guaranty, American Express International, Bank of Montreal, Libra Bank and Banco Rio de la Plata.

Still to be completed is nearly $19m worth of refinancing with the US Export-Import Bank and the Canadian Export Development Corporation, and a $45m loan to be provided through the Argentine National Development Bank by a group of banks led by Chase.

Acindar is the 15th largest Argentine company and employs 7,000 workers in three principal plants near Buenos Aires. Its turnover in 1984 was put at $23m.

It has survived the large drop in local demand for steel by aggressive exporting.

Club Med teams with Belgian tour group

By David Marsh in Paris

CLUB MÉDITERRANÉE, the French tourist operator, is joining forces in the holiday letting sector with Compagnie Internationale des Wagons-Lits, the Belgian leisure activities and rail transport company.

The accord is one of the first concrete results of the deal at the end of last year under which Club Med took a 5 per cent stake in the Belgian group. The agreement will result in the setting up of a joint company to merge Club Med's Maeva subsidiary and the Locarev company in which Wagons-Lits has a share.

Club Med will have 45 per cent of the new company, with the remaining shares split between Wagons-Lits and the other present owners of Locarev, including the Caisse des Dépôts financial institution and Société d'Aménagement de La Plagne.

The new company will have a letting capacity of 30,000 beds in holiday accommodation, still some way behind the capacity of the leading French company in this sector, Pierre et Vacances.

The Caisse des Dépôts previously held 30 per cent of the Wagons-Lits capital but sold part of its share in the shareholder restructuring at the end of last year.

US buyer for Voest holding

VOEST-ALPINE, Austria's loss-making state-owned steel, engineering, electronics and trading group, had found a US buyer for its majority share in the troubled Bayou Steel, writes Patrick Blum in Vienna.

RSR Steel is set to buy Voest's 77 per cent share in Bayou Steel for about $110m. The rest of the shares are held by private investors.

DAIWA EUROPE LIMITED

JAPANESE EQUITY WARRANTS SERVICE

ISSUER—Warrant expiry date	Current Market Prices Wrnt BID (%)	Wrnt OFFER (%)	Share Price (Yen)	Other Calculations Premium (%)	Gear-ing	Parity (%)
AICA KOGYO 17/8/90	29.00	30.50	810	9.82	4.43	17.23
AJINOMOTO 3/12/90	19.00	20.50	1,100	23.92	4.78	−2.94
CASIO COMPUTERS 6/3/89	59.00	60.50	1,860	2.25	2.84	56.63
C. ITOH (NEW) 4/5/89	31.00	32.50	380	15.45	3.85	13.17
C. ITOH (OLD) 20/1/87	53.00	57.00	380	35.46	2.19	12.80
DOWA MINING 20/7/90	11.00	12.50	532	59.21	6.57	−36.10
FUJIKURA CABLE 28/4/89	21.00	22.50	364	27.83	4.65	−6.81
GUNZE LTD 23/11/90	18.50	20.00	625	21.22	4.94	−0.95
HAZAMA GUMI 1/11/89	11.50	13.00	363	43.28	7.24	−27.78
JAPAN SYN RUBBER 28/4/89	12.00	13.50	355	40.22	6.60	−22.34
JUSCO 22/12/88	93.00	97.00	951	9.22	2.04	78.80
KAYABA INDUSTRIES 15/2/89	21.00	22.50	302	9.62	5.62	10.34
KOKUSAI KOGYO 19/9/90	37.00	38.50	2,290	10.89	3.72	22.90
KOMORI PRINTING 20/12/89	32.00	33.50	2,080	25.42	3.70	1.98
MARUBENI 30/9/92	13.50	15.00	308	39.96	6.41	−23.42
MARUZEN 12/2/90	37.00	38.50	601	14.99	3.77	16.72
MINEBEA 20/2/89	62.00	66.00	718	66.38	1.66	−6.55
MIT CHEMICAL 20/1/87	95.00	99.00	506	19.27	1.78	65.07
MIT CORPORATION 7/11/88	30.00	31.50	561	13.31	4.14	14.17
MIT ESTATES 16/10/92	28.50	30.00	1,080	30.67	3.51	−2.34
MIT GAS & CHEM 20/3/89	27.00	28.50	383	12.91	4.33	12.58
MITSUI E/S (NEW) 15/10/88	10.50	12.00	144	28.81	8.23	−16.47
MITSUI E/S (OLD) 10/12/87	26.00	28.00	144	23.42	4.40	−0.86
MIT METAL (OLD) 10/2/89	83.00	88.00	539	62.53	1.52	17.90
MIT METAL (NEW) 10/11/89	11.50	13.00	539	44.04	7.06	−27.41
MITSUI PETROCHEM 15/2/90	43.00	44.50	451	13.33	3.44	24.10
NIPPON MIN (OLD) 17/3/89	95.00	100.00	369	48.29	1.42	31.25
NIPPON MIN (NEW) 15/6/90	12.00	13.50	369	43.38	7.09	−27.99
NIPPON YUSEN K K 18/10/90	18.50	20.00	338	27.78	4.98	−7.66
NISSHO IWAI 1/2/89	13.00	14.50	257	22.59	7.33	−9.51
NOMURA SECS 31/10/88	65.00	66.50	1,020	8.28	2.52	52.64
OHBAYASHI GUMI 5/4/89	65.00	70.00	368	8.14	2.39	56.38
OMRON TATEISHI 31/3/89	12.00	13.50	1,590	60.64	5.72	−33.33
ONODA CEMENT 28/2/90	18.00	19.50	316	29.04	5.89	−13.86
OPTECDAI-ICHI 23/2/90	31.00	32.50	690	19.66	4.14	6.04
OSAKA TRANSF 29/1/90	26.50	28.00	535	17.27	4.68	5.38
RENOWN 24/1/89	17.00	18.50	745	21.46	5.97	−5.19
RICOH 20/9/90	45.00	46.50	1,120	10.38	3.25	30.80
RYOBI LTD 25/5/90	19.00	20.60	399	21.57	5.78	−5.04
SEINO TRANSPORT 17/3/89	22.00	23.50	1,150	20.38	4.71	0.96
SEIYU STORES 20/3/87	71.00	76.00	890	17.53	2.13	47.57
SEKISUI CHEMICAL 20/9/90	47.00	48.50	620	16.51	2.99	24.56
SONY CORPORATION 26/4/90	21.50	23.00	4,000	32.13	4.90	−13.22
SUMI CONSTRUCTION 24/3/89	61.00	65.00	280	9.66	2.48	49.40
SUMI HEAVY 24/2/89	15.50	17.00	216	17.37	6.64	−2.61
SUMI REALTY (NEW) 13/12/90	21.50	23.00	1,000	23.97	4.33	−0.90
SUMI REALTY (OLD) 21/11/89	110.50	112.00	1,000	0.16	2.08	111.63
TOKYO ELECTRIC 14/3/89	18.50	20.00	1,340	22.58	5.53	−4.95
TOKYO SANYO 8/6/87	180.00	185.00	625	66.33	1.04	51.26
TOKYU CORP (OLD) 29/1/90	88.50	90.00	530	5.43	2.28	78.87
TOKYU CORP (NEW) 29/10/90	19.50	21.00	530	38.09	4.42	−14.38
TOKYU DEPT STORES 20/7/90	47.50	49.00	623	13.09	3.11	29.08
TORAY INDS (OLD) 5/3/87	33.00	34.50	508	15.01	3.77	14.97
TORAY INDS (NEW) 10/12/90	19.00	20.50	508	26.26	4.64	−4.50
TOYO ENGINEERING 28/2/89	51.00	56.00	710	40.87	2.17	6.23
YAMAMURA GLASS 8/5/90	16.00	17.50	453	28.93	6.23	−14.02
YAMATO KOGYO 29/1/90	14.50	16.00	545	27.99	6.94	−15.07
STERLING DENOMINATED WARRANTS						
MINEBEA 15/3/90	45.00	50.00	718	44.40	2.03	4.95

Reuters Monitor DABF/G/H/I/J/K/L — Further information from: Freddy Glock, Beverly Kelly or Edward Cartwright on 01-236 6060 Daiwa Europe Limited, 14 St Paul's Churchyard, London EC4M 8BD

INTL. COMPANIES & FINANCE

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 5.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amev 10⅛ 92	100	100⅞	101⅜	0	+0¼	10.13
Amex Credit 10⅞ 90	100	103⅜	103⅞	−0¼	−0¾	9.79
Atlant Richfld 10¼ 00	250	97⅞	98⅜	0	−0½	10.49
Australia Com 11 95	200	105¾	106¼	−0⅛	−0¼	9.97
Australia Com 11¼ 00	100	106	106½	−0⅛	−0½	10.38
BP Capital 11⅛ 92	150	104⅞	105⅜	−0⅛	−0¼	9.95
Campbell Soup 10½ 95	100	103¼	103¾	0	−0⅜	9.91
Canada 11½ 90	500	107	107½	0	−0½	8.34
Canadian Pac 10¾ 93	100	104¼	104¾	+0⅛	−0⅛	9.85
Canadian Pac 12½ 89	75	108¾	109½	+0⅛	0	11.16
CEPME 10⅜ 91	100	101	101½	−0⅛	−0⅜	9.82
Chevron U.S.A. 12¼ 89	600	104½	105	0	−0⅞	10.65
Citicorp 10 88	200	101⅜	101⅞	−0⅛	−0½	9.26
Citicorp 10⅜ 95	200	99½	100	−0⅛	−0¼	10.65
Coca Cola 11¾ 91	100	107	107½	0	−0½	10.04
Denmark Kingdom 11¼ 89	100	104¼	104¾	0	−0⅛	9.60
Denmark Kingdom 11½ 90	100	105⅞	106⅜	+0⅛	+0⅛	9.70
Denmark Kingdom 11½ 92	100	105⅞	106⅜	0	−0⅛	10.11
E.D.F. 10 95	225	98⅞	99⅜	0	−0⅛	10.13
E.E.C 9⅜ 90	350	99⅝	100⅛	−0⅛	−0½	9.63
E.E.C. 11⅛ 90	100	105⅛	105⅝	0	−0⅝	9.48
E.I.B. 12 95	200	110⅛	110⅝	0	−0⅜	10.21
Eli Lilly 10¼ 92	150	103⅛	103⅝	0	+0⅜	9.55
Export Dev Corp 10 90	100	101⅝	102⅛	−0⅛	−0¾	9.44
Export Dev Corp 12 89	100	108⅜	108⅞	−0⅛	+0½	9.25
Fed Dep Stores 10⅛ 95	100	100	100½	0	+0⅜	10.06
Ford Motor Cred 11⅜ 90	100	103⅝	104⅛	0	−0⅛	10.17
Ford Motor Cred 12 95	100	106¼	106¾	+0⅛	−0⅛	10.83
Gen Elec Credit 10¾ 00	200	102⅛	102⅝	+0¼	+0⅛	9.92
GMAC 10¼ 89	200	101⅞	102⅜	0	−0½	9.47
GMAC 10¼ 92	250	101	101½	−0⅛	−0¾	9.99
IADB 10½ 95	150	101⅞	102⅜	0	−0½	10.13
IBM Credit 10⅜ 2000	300	†102⅝	103⅛	+0⅛	−0⅛	9.98
Kellogg Company 10⅞ 90	100	103	103½	−0⅛	−0⅜	9.86
Kellogg Company 11¼ 92	100	105⅛	105⅝	+0⅛	−0½	10.02
L.T.C.B. 12⅞ 91	100	112⅛	112⅝	−0⅛	−0⅛	9.99
Macy Cred Corp 11¾ 95	100	†102⅝	103⅛	+0¼	0	11.22
Mitsui Trust 11⅝ 90	100	†105⅛	105⅝	0	−0⅛	10.06
Nippon Cred Bk 10⅜ 95	150	101¾	102¼	−0⅛	0	10.20
Pillsbury Co 10¼ 93	100	99	99½	0	−0¼	10.38
Pru Realty secs 12⅛ 95	548	109¾	110¼	0	+0¾	10.37
Qantas Airways 10⅜ 95	140	102⅛	102⅝	−0⅛	+0⅜	9.96
Quebec Hydro 11½ 92	100	107⅛	107⅝	−0⅛	−0½	9.98
Queensland Govt 10¼ 95	100	100⅛	100⅝	−0⅛	+0¼	10.17
Ralston Purina 11¾ 95	150	107¼	107¾	0	+1	10.44
Ralston Purina 12¾ 89	100	108½	109	0	−0½	9.89
Saskatchewan 10¾ 92	100	104⅛	104⅝	−0⅛	−0½	9.76
Saskatchewan 11⅞ 89	100	107⅜	107⅞	−0⅛	−0½	9.46
Statoil 10 90	170	101¼	101¾	0	−0¼	9.56
S Wales Trsy 11¾ 90	150	106¼	106¾	−0⅛	−0⅜	9.82
Swed Exp Cred 10 92	100	100¾	101¼	0	−0¼	9.76
Swed Exp Cred 12¾ 89XW	100	107¾	108¼	0	−0⅝	10.06
Sweden Kingdom 10⅞ 90	200	104⅛	104⅝	0	−0⅜	9.58
Sweden Kingdom 11½ 89	200	106⅜	106⅞	−0¼	−0½	9.44
Sweden Kingdom 11¾ 94	100	107⅞	108⅜	0	−0½	10.32
Tenneco Corp 10¾ 95	150	101¼	101¾	0	−0½	10.47
Texaco Capital 10 95	300	†85	88	0	0	12.35
United Tech Fin 10⅝ 95	100	101½	102	+0⅛	+0¼	10.31
Victorian Rep 11⅝ 92	150	105	105½	−0⅛	−0⅝	10.22
World Bank 10⅜ 95	300	101¼	101¾	0	−0⅛	9.86
World Bank 12⅞ 94	200	114¾	115¼	−0⅛	−0¼	10.18

Average price change On day 0 on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev Bank 8 94	200	†105¾	106¼	0	+0¼	7.05
Austria Republic 7⅝ 94	200	†104	104½	0	+0⅛	6.92
Baxter Travenol 7¼ 94	200	†102	102½	+0⅜	+0½	6.88
Copenhagen 7⅜ 95	150	†101¼	101¾	−0¼	+1	7.14
Credit National 8⅛ 94	200	†106½	107	+0½	+0⅜	7.01
E.I.B. 7¼ 94	300	†102¼	102¾	+0⅜	+0⅞	6.87
Escom 8 92	150	†94¼	94¾	+0¾	+0⅞	9.17
Ex-Im Bk Korea 7⅝ 90	100	†100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	†103¾	104¼	−0⅛	0	7.06
Finland Republic 7 92	200	†100¾	101¼	0	0	6.79
Gould Int Fin 7⅜ 91	100	†102½	103	+0⅜	+0⅝	6.99
Ireland 8⅛ 92	150	†103¾	104¼	−0¼	−0⅜	7.31
Japan Fin Corp 7⅜ 91	100	†103½	104	0	−0⅛	6.78
Mitsubishi Hvy 3½ 89WW	300	†157	159	−2	−0¼	−10.24
Mitsubishi Hvy 3½ 89XW	300	†91½	92	+0⅛	+0⅛	6.32
Mitsubishi Met 3⅛ 89WW	100	†104½	105½	−0¼	−1½	1.83
Mitsubishi Met 3⅛ 89XW	100	†89	89½	−0⅛	−0¼	6.21
Quebec Hydro 7⅜ 95	200	†102½	103	+0⅛	+0½	6.72
Renfe 7¾ 95	100	†102½	103	−0¼	−0⅜	7.33
Soc Cent Nuclear 7¼ 95	150	†99¼	99¾	−2	−2⅜	7.32
Societe Cent Nuclear 8 91	100	†104¾	105¼	−0⅜	−0⅜	6.88
Sth African Tran 7⅝ 92	100	†91½	92	−0¼	−0½	9.29
World Bank 7 95	600	†100¾	101¼	+0¼	+0⅜	6.85
World Bank 7¾ 89	100	†103	103½	+0⅛	+0⅛	6.57

Average price change On day −0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Avon Cap Corp 5⅝ 94	130	†101	101¼	0	0	5.22
Brit land Comp 6½ 99	75	†104¾	105	+0⅝	+0⅝	5.97
Council of Europe 6 92	120	†102¼	102¾	+0⅜	0	5.56
Creditanstalt 5½ 94	100	†99¼	99½	0	−0¾	5.59
Deutsche Bk Fin 5⅜ 95	100	†102¾	103	−0¼	+0¼	4.97
E.I.B. 5⅞ 94	120	†101¼	101¾	−0⅝	−0⅞	5.65
Gen Occidentale 4½ 94	80	†103	103¼	+0¼	0	4.08
Glendale Fed S&L 5½ 95	100	†98	98¼	0	+0½	5.75
Ind Fund Fin 5¾ 94	40	101	101¼	+0½	+0½	5.59
Int-Am Dev Bk 6⅛ 94	120	†102¾	103	0	+0⅛	5.70
N.Zealand steel 5¾ 96	70	†100	100¼	0	−0½	5.73
Oberos Kitwk 5⅜ 95	100	†101	101¼	+0½	+0½	5.21
Olivetti Intl 5½ 95	100	†101	101¼	0	0	5.34
Pepsico 5¼ 95	130	†101½	101¾	+0½	+0½	5.02
Ralston Purina 5⅜ 94	125	†101½	101¾	+0¼	−0¼	5.14
Santos Finance Ltd 6 94	130	†100	100½	−0⅜	+0⅜	5.96
Tokyo Elec Pwr 5½ 93	120	†101¼	101½	+0¼	0	5.26
Tokyo Metropolis 5¼ 94	80	†100¾	101	−0¾	−1¼	5.13
World Bk 5¾ 94	150	†101¾	102	−0¼	0	5.48

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Caisse Nat Tele. 6¼ 92	25	97¾	98¼	0	−0⅜	6.62
Gdyr Tr & Rubber 7⅛ 95	25	101¼	101¾	−0⅛	−0⅛	6.89
Mort Bk Denmark 7 92	10	100⅜	100⅞	−0⅛	−0⅛	6.87
New Brunswick 7⅛ 95	10	101	101½	−0⅛	0	6.93
Swed Exp Cred Zero 90	14	72⅞	73⅜	−0⅛	+0¼	6.72

Average price change On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Barclays Aust 12⅝ 90AS	50	93⅝	94⅜	+0¼	+0⅝	14.37
Creditanstalt 12⅞ 90AS	50	99¾	100¼	+1¼	+0⅝	12.77
Pepsico Cap. Res. 13 90AS	50	102⅝	103⅝	+0⅛	+0½	12.07
Swed. Export Cred 13 88AS	40	96¼	97¼	+0⅛	+0⅜	14.43
Amex 10¾ 90 C$	50	101¾	102¼	0	+0⅜	10.14
Canadian Pac 10⅝ 90 C$	75	99¾	100¼	0	0	10.38
CIBC 10¾ 90 C$	75	†103½	104	+0⅛	0	9.72
Genstar Fin 11¾ 95 C$	75	101¾	102¼	0	+0⅛	11.37
Montreal 11½ 95 C$	75	105	105½	0	+0⅜	10.57
Sears Acc. Co 10⅜ 92C$	75	†98¾	99¼	+0⅛	+0¼	10.82
Winnipeg City 10⅝ 90C$	50	103⅜	103⅞	+0⅛	+0⅛	9.59
Chrysler Fin Corp 17 90NS	65	92⅝	94⅛	−0⅛	+0⅞	18.85
K.O.P. 16¾ 91 NS	50	91½	93½	0	+1¼	18.91
Kredietbank Lux. 17 88 NS	70	100⅜	101⅜	−0⅜	−0⅝	16.35
B.N.P. 8⅞ 95 ECU	75	98⅜	98⅞	0	−0⅛	9.08
IBM Wld Trade 8¼ 90ECU	150	101⅛	101⅞	+0⅛	+0¼	7.96
Sec Pac Aust 8¾ 90 ECU	100	98⅛	99	0	−0⅛	9.20
Honda Motor WW 3⅞ 90FL	100	103¼	103¾	+0¼	+0⅛	2.95
Honda Motor XW 3⅞ 90FL	100	89	89½	0	+0¾	6.81
Thyssen 7¼ 90 FL	50	103⅜	103⅞	−0⅛	+0⅝	4.33
Wereldhave 7½ 90 FL	75	101⅞	102⅜	0	+0⅝	6.94
Wessanen 6¾ 90 FL	50	99⅝	100⅛	0	+0⅝	6.77
Mobil Corp. 11⅛ 90 FF	500	101½	102	−0¼	[illegible]	10.62
Australia Comm 11 92 £	40	99⅞	100⅜	−0⅛	+0⅞	10.96
E.I.B. 11⅛ 93 £	50	100	100½	−0⅛	0	11.05
GMAC UK Fin 10½ 90 £	30	98¾	99¼	−0⅛	−0⅛	10.75
Imp Chem Inds 11¼ 95 £	75	100¼	100¾	−0⅛	−0⅛	11.35
Imp Chem Inds 10¾ 92 £	75	97⅞	98⅜	−0¼	0	11.14
Mcdonalds 10⅞ 90 £	40	100¾	101¼	0	0	10.54
Mitsubishi Fin HK 11 90 £	50	99⅝	100⅛	−0⅜	−0⅛	10.50
NSW. Treasury 10⅝ 92 £	50	97⅛	97⅝	0	−0⅛	11.30
Privatbanken 11⅞ 92 £	20	100⅜	100⅞	−0⅛	−0⅜	11.70
Rank Xerox 11 92 £	40	97⅞	98⅜	0	0	11.40
Royal Ind 10¾ 92 £	60	97¼	97¾	−0¼	−0⅛	11.28
Ster Drug Cap 10⅝ 90 £	30	100	100½	−0¼	0	10.76
Tricentrol XW 11 92 £	35	95½	96	−0¼	−0¼	11.94
Trusthouse Forte 11⅛ 90£	50	99½	100	−0¼	−0⅛	11.16
World Bank 11¼ 95 £	100	100⅞	101⅜	−0⅛	0	11.03
C.O.E. 8⅞ 95 LF	600	99⅜	100⅛	0	+0⅛	8.81
Nat Lux Alum 10½ 92 LF	600	102½	103½	−1½	−1⅛	9.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99½	99¾	15/1	11⅜	11.42
BankAmerica O/S 5¼ 96	0⅛	99¾	100	30/12	8⅛	8.14
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 99	0⅛	100⅛	100⅜	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101⅛	101½	10/1	5¼	5.18
B.N.P. 5¼ 96 (July)	0¼	99⅞	100⅛	22/1	8⅛	8.25
B.N.P. 5¼ 99	0⅛	100	100¼	5/6	5¼	5.24
Britannia 5 93	0⅛	99⅝	99⅞	8/1	5	5.01
C.C.F. 5¼ 97	0	99½	99¾	28/10	8.19	8.22
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp 5 2035	0	99¼	99½	27/11	5	5.03
Credit Lyonnais 5⅞ 96	0⅛	100⅝	100⅞	11/10	9.09	9.02
Credit Lyonnais 5 00	0	100⅛	100⅜	10/1	5	4.98
E.E.C. 5 90	0	99⅝	99⅞	3/1	5.00	5.00
E.N.E.L. 5 00	0⅛	100	100¼	1/3	5	4.99
Ireland 5¼ 97	0	99⅞	100⅛	28/2	8.44	8.44
Lloyds Bank Perp	0¼	100	100¼	9/12	8	7.98
Man-Hanover 5 97	0	99⅛	99⅜	22/11	5	5.04
Midland Bank Perp 5	0¼	100	100½	19/12	8⅛	8.10
Nat West Perp A 5¼ S	0¼	100	100¼	9/1	8¼	8.24
Nat West Perp B 5¼ S	0¼	100	100¼	18/2	8.81	8.80
Royal Bk Scotland 5 Perp	0¼	99¾	100	12/12	5	5.01
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.89	11.78
Societe Generale 5¼ 97	0	100⅛	100⅜	18/3	5¼	5.24
United Kingdom 5 92	0	99⅞	100⅛	7/7	5	5.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	124½	125½	+1⅜	7.57
Comcast 7 2000	12/85	23.875	†108¼	109¼	+1	24.25
Fanuc 3¾ 98	1/84	7032.3	199⅝	201⅝	+2⅝	83.81
Fuji Hvy Inds 3 2000	8/85	676	95½	96½	0	8.89
Fujitsu 3 99	5/84	1320.9	102⅛	103⅛	+4⅜	17.43
Kumagai Gumi 3½ 2000	3/85	600	170	171½	+2⅞	12.53
Marui 3½ 99	7/84	1162	151½	152½	+0⅞	4.27
Mitsubishi Bank 2⅞ 00	8/85	1768	98½	99½	−0¼	−1.98
Mitsubishi Elec 2⅞ 00	3/85	422	104⅝	105⅝	+2⅛	1.14
Murata 3½ 2000	7/84	2398	124⅝	125⅝	+5⅞	23.84
Nippon Elec 2⅞ 2000	1/85	1295	127⅛	128⅛	+4¾	68.85
Nippon Oil Co 3 2000	5/85	923	105	106	+0¾	8.04
Oki Elec Ind 3½ 99	10/84	805	106½	107½	+1⅜	0.29
Sekisui House 3 99	6/84	612	158⅛	159⅝	−0⅜	1.30
Sumitomo Bank 2¾ 2000	8/85	2142	93½	94½	−0⅛	4.62
Sumitomo Corp 2⅞ 99	5/84	533	131½	132½	+0⅜	−0.12
Taiyo Yuden 3¼ 2000	3/85	1076	†104	106	+1	−2.98
Takeda Riken 3⅜ 2000	10/84	7663	†102	104	+2	19.53
Tokyo Sanyo Elec 3½ 99	12/84	772	102¼	103¼	+2¼	4.85
Toshiba Ceramics 3 2000	4/85	1734.2	99½	100½	+0¼	4.49
Nippon Oil Co 2⅞ 92 SF	3/84	1032	†102½	102¾	−1⅛	26.32
Nippon Shinpan Co 2 92 SF	3/84	801	†113¾	114	+2¼	14.91
Asics 5 92 DM	12/83	520	108	109¼	−0¼	15.79
Renown 3⅛ 90 DM	3/85	675	†105½	106½	−0½	−3.82
Sum Realty 6¼ 92 DM	2/83	338	†363	364	−3⅛	−2.35

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price, the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (‡ three month, § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Semiconductor recession hits Hitachi at midway

BY YOKO SHIBATA IN TOKYO

THE RECESSION in the semiconductor industry and the yen's steep appreciation hit Hitachi and its group companies in the half-year to September, with consolidated net profits falling by 14 per cent to Y86.64bn ($428m).

Sales advanced by 3 per cent to Y2,546.7bn. Net earnings per share fell from Y34.74 to Y29.37.

The dramatic fall in chip prices and cuts in output, as well as a collapse in prices for video cassette recorders caused by strong competition, were blamed for a 16 per cent fall in operating profits.

Of total turnover, power systems and equipment (accounting for 15 per cent of the total) rose 4 per cent, consumer products (22 per cent) were up by 5 per cent, information and communication systems and electronic devices (29 per cent) held an unchanged share, industrial machinery (17 per cent) rose by 9 per cent, while wires and cables, metals, chemicals and other products (17 per cent) were also unchanged.

Hitachi's overseas sales represented a steady 31 per cent of the total.

For the current half year to March 1985, Hitachi expects prices for 64 kilobit and 256K chips to be as low as one-sixth to one-ninth the levels of a year ago. Owing to the short life span of the capital-intensive 256K chips—makers are preparing to launch one-megabit chips next year—investments are not likely to be recouped.

With the full brunt of the yen's appreciation against the dollar, Hitachi's pre-tax profits for the year as a whole are projected at Y383bn, down 25 per cent, and net profits at Y157bn, down 25 per cent. Sales are forecast to dip 2 per cent to Y4,900bn.

Zimbabwean brewer well ahead

BY TONY HAWKINS IN HARARE

DELTA CORPORATION, Zimbabwe's largest quoted company in terms of turnover, has announced a 28 per cent increase in pre-tax profits to Z$9.2m (US$5.5m) in the half-year to September.

Delta, which dominates the local brewing industry both for lager and traditional beer, also owns the OK Bazaars retail chain and a number of hotels.

Turnover rose by 38 per cent to Z$145m in the half-year, while net profits were up 9 per cent to Z$5.7m.

Delta attributes the improvement to an upturn in the Zimbabwe economy following good rains last year, but warns that both brewing operations have experienced substantial cost increases recently, and it has applied to the Government for price increases.

Consumer spending is expected to remain relatively high during the remaining months of the financial year, and earnings for the full year are forecast to be in line with the 101 Zimbabwe cents a share earned in 1985."

Delta says recently approved price increases for soft drinks had stopped the losses at its United Bottlers subsidiary which holds the Coca-Cola franchise in Zimbabwe.

The iterim dividend has been raised to 13.5 cents a share from 12.5 cents last year.

Yamaha resumes dividend payments

By Our Tokyo Correspondent

YAMAHA MOTOR, the Japanese motorcycle maker, is to resume dividend payments following a four-fold jump in parent company pre-tax profits to Y4.3bn ($21.2m) in the half-year to October.

The earnings performance—which compares with just Y1.04bn in the previous first half—was attributed to an improved cost-to-sales ratio resulting from expanded demand and an improvement in Yamaha's financial position.

The company moved back to net profits of Y3.25bn, from losses the previous year of Y915m. Sales at Y197.9bn up 9.5 per cent.

Motorcycle sales in the domestic market rose by 13 per cent in volume terms to 397,000 units, with exports up by 8 per cent to 403,000 units. These included 75,000 knockdown kits for China. Its buggies and outboard engines also contributed.

The improvement in earnings was accompanied by a restored interim dividend of Y3 per share, the first in three years.

For the year as a whole, pre-tax profits are projected at Y7bn, up 14 per cent, on sales of Y410bn, ahead by 5 per cent. Yamaha intends to pay a total dividend of Y6 per share.

Shares bounce back on Bombay SE

BY R. C. MURTHY IN BOMBAY

INDIA'S stock markets have bounced back after a three-month slide in which share values fell by nearly 15 per cent. The Bombay Stock Exchange has led the recovery, with share prices gaining 4.5 per cent over the past fortnight.

The Bombay share price index of the Economic Times, India's main business newspaper, crossed the 500-point mark and reached 515.4 yesterday. The recovery is a sequel to the easing of restrictions on trading in popular issues.

Shares of Tata Iron and Steel Company, the market leader, were brought back to the list of 55 actively traded stocks, allowing transactions to be carried forward from one fortnightly settlement to another. Shares of the remaining 650 companies listed on the exchange can be traded only for cash.

The market is awaiting details of the Indian Government's long-term fiscal policy, which will include the extent of reductions in personal and corporate taxation over the next four years. "The market is poised for another boom," says Mr Arvind Dalal, a leading broker.

The wide-ranging tax cuts announced in February by the government of Mr Rajiv Gandhi and the subsequent relaxations in industrial policy, boosted share prices by more than 30 per cent. The Economic Times index touched a peak of 555.7 in August. Since then, values have declined under pressure from institutional selling, and in mid-October the index fell to the 480 level.

The renewed bullishness is reflected in a vigorous new issues market. There was a scramble for shares in Birla-Yamaha, a joint venture between Mr Ashok Birla and Yamaha of Japan to manufacture portable electric generating sets. The Rs 27.2m ($2.3m) issue in late November was oversubscribed 50 times. Earlier, a flotation by the joint venture between Gillette of the US and Podar of Calcutta attracted a more than 15 times oversubscription.

Nearly 75 companies are offering equity and bonds to the public this month. The surge in new issues is partly in response to a hightened investment consciousness among the country' urban middle class. In addition, funds previously used for stockpiling commodities in anticipation of price rises were diverted to stock markets once it became clear that shares were appreciating at a better rate.

Investment in shares is now considered "a hedge against inflation," says Mr M. R. Mayya, executive director of the Bombay Stock Exchange.

INTL. COMPANIES & FINANCE

Terry Dodsworth on a Japanese invasion of the US securities market

Nikko seeks primary dealer status

IN A 37th floor eyrie overlooking the glamorous sprawl of downtown Manhattan, a new Japanese invasion of the American market is taking shape.

At the moment, the main visible evidence of the assault are a few terminal screens blinking out the latest Wall Street prices. But within a few weeks the office will be swimming with bond traders as Nikko Securities, the Japanese investment firm, begins its push for recognition as a member of the exclusive US club of primary dealers.

Nikko is only one of three Japanese securities firms seeking primary dealer status, a position which gives US bond trading firms a privileged relationship with the Federal Reserve Board. Nomura also made an application earlier this year and Daiwa followed suit in summer. The fact that all three are trying to step up their US presence underscores the explosive growth of the Treasury market under the stimulus of the Government's funding needs.

"The internationalisation of the world capital markets is creating global securities, and US Treasury bonds are the most international, with the greatest liquidity and depth available," says Mr Toshio Mori, who is responsible for Nikko's overseas activities.

Japanese buying of Treasury securities has risen in step with the rapid expansion in bond trading on Wall Street. In 1981, Japan's net new purchases of overseas fixed interest paper amounted to $5.8bn and 90 per cent of that went into US government paper. By 1983, this had risen to $12.5bn and last year it soared to $26.8bn, gaining still more this year to average around $3bn a month with US Treasury paper continuing to account for 80 per cent to 90 per cent of the total.

Since the September finance ministers' meeting which announced a co-ordinated programme to push down the dollar, Japanese purchases have slipped to around $2bn a month, but most analysts believe that Japanese investors are only waiting for the establishment of a firm price floor for the dollar before returning in force to the market.

One of Nikko's objectives in expanding in the US is to give its international business more clout. Exposure to US methods, says Mr Mori, is particularly important today because the Wall Street securities houses lead the world in the development of trading techniques—particuuarly in managing risk.

"The American firms have less capital than we have, but they know how to utilise it," he says. "Japanese companies have long been agency oriented, working on commissions, but not necessarily taking positions or accepting risks. But the American companies are fundamentally risk oriented. That is the fundamental difference between the Japanese, Europeans and Americans."

Expansion aims

By absorbing the methods used in the US, Nikko aims to expand into a full service US government securities dealer with a normal range of American clients as well as its Japaneses customers. But at the same time, it wants to maintain and strengthen its grip on its Japaneses institutional clients.

During the past few years, a significant proportion — perhaps 50 per cent — of the Japanese institutional business in the US has been captured by the big American securities houses. These firms went over to Japan several years ago, set up their own operations, and attracted institutional clients which the Japanese securities firms regard as their own.

It is only by having a strong presence in New York that the Japanese companies can fight back effectively — and a strong presence implies being a primary dealer, because primary dealers can normally trade at more attractive prices and spreads.

"What it gives you is access to information, access to the wholesale markets, and first-hand participation in the various securities issues of the Fed," says Mr Randy Strausberg, senior vice-president at Nikko in New York.

Among the privileges enjoyed by the 36 primary dealers are daily contact with the Fed trading desk, an invaluable source of impressions for the thinking of the US Central Bank. They also have the chance of tête-à-tête discussions with Fed officials, who set up regular meetings to discuss the state of the markets, and they have automatic access to eight sets of trading screens run by specially appointed brokers, six of whom deal only with the primary dealers.

All of this helps, says Mr Strausberg, to "get a feeling for the flow of thinking at the Fed."

Winning selection for the primary dealer network, however, is also an expensive and time-consuming process. First, it demands considerable investment in personnel and physical property. A trading room, as Mr Strausberg puts it, is little more than ranks of black boxes, but the people using them do not come cheap, and they are backed up by an elaborate network of computer systems.

Nikko's head-count in the Treasury securities department will shoot up to around 40 by the beginning of January from five at the end of September.

Fed surveillance

The company will then have to go through a period of close surveillance by the Fed to verify its suitability for admission to the primary dealer system. It has to meet stringent capital requirements and show that it is capable of trading a significant volume of securities. Initially this amounts to ¼ per cent of the total retail volume done by the 36-member dealer community, building up eventually to ¾ per cent—or about $300m of the $35bn to $40bn traded every day.

The Fed's main aim is to appoint dealers who are capable of helping to keep the market liquid on a long-term basis. It is insistent that the chosen dealers, for example, trade across the full range of the maturity spectrum in bonds bills and notes, and that they participate regularly in the Treasury auctions. The Fed also likes to see a diversified customer base and a sufficiently strong back-room organisation in computer services and credit controls to show that a dealer will be around a few years from now.

In terms of size, at least, Nikko should fit the criteria more than adequately. With a capital base of $1.7bn, it is bigger than all the Wall Street securities companies bar Merrill Lynch and Salomon Brothers. And in a typically Japanese way, now that it has decided to commit itself to the market, it is moving with great speed and determination. "Without New York, you are driving around blindfold in the securities markets," says Mr Mori.

Bridge Oil diamond project reaches full production

BY KENNETH MARSTON, MINING EDITOR

BRIDGE OIL'S Aredor diamond mining project in Guinea has reached full production after having experienced technical problems since the start-up in April last year.

A high 94 per cent of the West African mine's output is in the form of gem diamonds, although increased production and better recovery has lowered the average size of 0.85 carats from 1.2 carats at the lower production rate, it is stated.

Prices obtained have also fallen, to around US$150 per carat from $245 received for the first sales. Because of this, mining operations in the next two years will concentrate on mine beds which contain the better quality gems.

* * *

Canada's Goldenbell Resources announces that it has received a cash payment of US$2m (£1.35m) from Pathfinder Gold Corporation for the granting to the latter of a one-year option to acquire at "a fair market value" a 30 per cent interest in Goldenbell's promising Pine Tree gold project in Mariposa County, California.

* * *

Granges Exploration reports a shallow drill intersection of 7.6 ft of mineralisation averaging a high 1.47 oz (45.7 g) gold per ton of ore to the south of the main discovery at its Tartan Lake joint venture in Manitoba. Partners include Aberford Resources and Outokumpu.

* * *

Toronto-based Dome Mines earned a net C$6.88m (US$4.9m or £3.34m) in the September quarter. This brings the total profit for the first nine months of 1985 to C$14.9m, or 19 cents per share, compared with a loss of C$5.96m in the same period of last year.

TECHNOLOGY

EDITED BY ALAN CANE

Geoffrey Charlish reports on one of the first fully computer-integrated factories

Shell's smooth blend of automation

A COMPUTER-INTEGRATED manufacturing (CIM) project worth £5m is to be undertaken by CAP, the computer systems company, at Shell Lubricant UK's new oil blending complex at Stanlow in Cheshire. Plant construction will be carried out by M. W. Kellog under a separate contract.

CIM, about which there has been a good deal of talk in the past three years but not much action, interconnects factory computers which conventionally have been installed on a piecemeal basis to do specific jobs.

For example, the computer dealing with order input processing is unlikely to communicate electrically to say, a robot making product on the line, even though there would be clear productivity advantages if it could.

Unfortunately, if a plant has "grown" its computer systems step by step with items from different makers, there is little chance that the various machines will be able to speak the same language, so that people and paper have to be interposed.

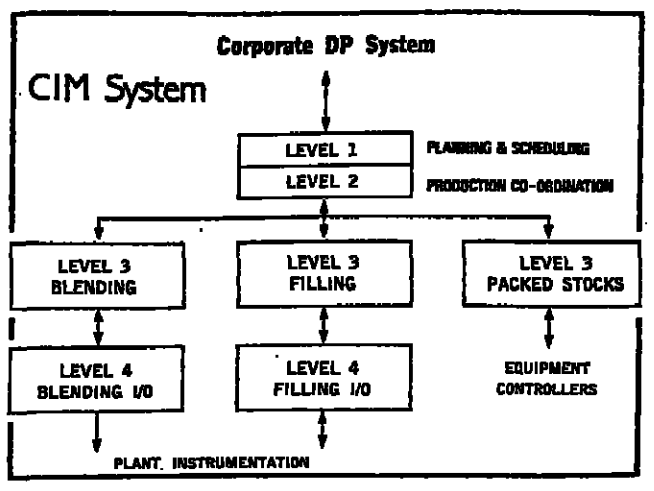
Given a "green field" start, however, the problem reduces, and that has given CAP the chance to computerise the whole system at Stanlow, from corporate computer through to valves, motors, guided vehicles and similar components. The system will be installed during 1986 and 1987. "This is the most complete application we have carried out in CIM," says Mr Frank Agnew, business group manager for manufacturing and distribution.

The formulation and packaging of lubricants at the Shell plant starts with the incoming supply of base oil and pre-blended products from other plants. These products and other additives are piped from holding tanks into the main plant area where they are blended under computer control.

Conventionally, computers have been installed piecemeal to do specific jobs

There is a good deal of mechanical automation in the blending area, involving a batch handling method that Shell is keeping quiet about for the time being. Further blending in bulk follows and the completed product is then moved away to holding vessels.

Filling takes place on each side of the blending plant, the products moving from holding tanks into a kind of "hose telephone exchange" that allow any product to be switched into small packages for retail distribution, into drums, and into areas where bulk loading into road tankers takes place.



From the filling lines, products are palletised and taken by automatic guided vehicle (AGV) to a high bay automatic warehouse and associated buffer storage. The associated computers tell the high bay warehouse what is needed to make up customers' orders, and the AGVs take the items to a picking area where they are made up manually into customer lots. Finally, the orders are loaded into vehicles in the adjacent loading bay.

A hierarchy of computers controls and supervises all the operations, with software and systems engineering developed by CAP, computers from Hewlett Packard and programmed logic controllers (PLCs) at plant level from Allen Bradley.

The plant is controlled in two basic ways by CAP's "integrated systems architecture." First, the computer hierarchy means there is the necessary communication from the corporate computer through to other machines at descending levels of plant management, co-ordination, and supervision, ending up with device control. The result is flexibility in production planning and responsiveness to customer demand.

Second, the system works across the plant to control material flow from base oils to final products leaving the plant by trucks and tankers.

At device level, the Allen Bradley PLCs use microprocessors to look after direct commands and sequences for such items as valves, motors, pumps, stacker cranes, guided vehicles and other equipment.

The supervisory computer, an HP 1000, generates instructions for the devices and sends specific oils to specific blending vessels. It also runs displays for operators, allowing some manual intervention and supervises recovery from plant problems.

At plant co-ordination level, an HP 3000 computer looks after three supervision machines in various parts of the system and is responsible for sending scheduling requirements down to the supervisory machines while transmitting production completion data upwards to the next level, which is plant management.

Plant management, also vested in the HP 3000, deals with planning and scheduling and produces management reports and displays. It receives customer orders direct from the corporate computer (which is not part of the CAP system).

This first comprehensive CIM order is likely to be followed by others — it is known for example, that CAP is working with Batchelors Foods. It follows a recent reorganisation of the CAP group which will "provide a greater focus on manufacturing and industrial markets" according to Mr Godfrey Thomas, manufacturing marketing director at CAP. Industrial projects now account for 50 per cent of the activity at CAP.

Computer hierarchy enables communication down to the lowest level of operations

The company has also declared itself in favour of the MAP initiative currently being undertaken by General Motors and has already appainted a specialist. MAP allows dissimilar computer and production equipment to be interconnected and would clearly open wider horizons for the company.

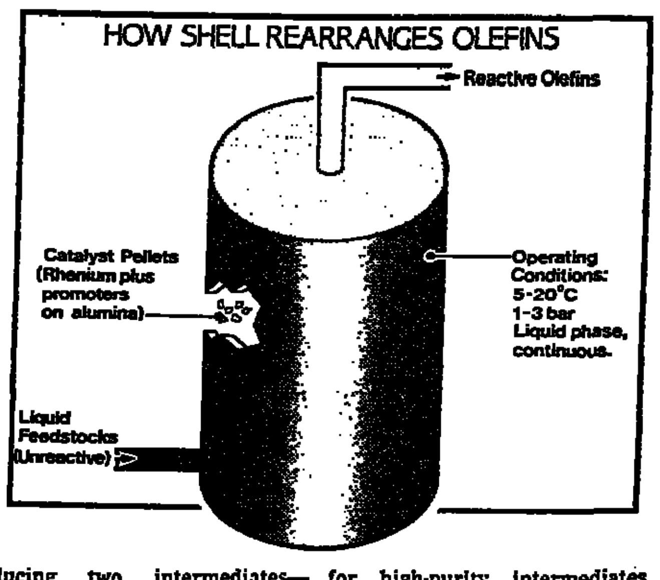
Catalytic converter aims at 'off the peg' chemicals market

SHELL HAS announced today a £3m-plus speculative investment by Shell Chimie at Berre near Marseilles, in a plant to exploit new olefin chemistry from its central laboratories in Amsterdam.

The French project will make a family of novel "reactive" chemicals as intermediates for the aroma, pharmaceutical and agro-chemical industries.

Olefins are an extremely large family of unsaturated hydrocarbon structures, starting with ethylene.

Six years of research and an investment exceeding the cost of the plant stand behind the new venture, says Mr Pat Martin, business centre manager for Shell's fine chemicals. The aim is to offer speciality olefins much closer to the customer's final product, at a value which he estimates will average about three times the cost of the raw materials used.



The basic technology disproportionation, has been used by Shell and Phillips Petroleum for some years. Shell calls its current commercial process Shop (Shell higher olefin process) and operates it both in Britain and the US, to make detergent olefins from ethane.

Its latest idea extends the technology to exploit smaller markets for intrinsically more valuable chemicals, not available at present, but Mr Martin forecasts that chemists will quickly recognise their advantages.

The company plans to start its plant late next year, producing two intermediates—1,5-hexadiene and 1,9-decadiene. Neither is available commercially, Shell says. They will be made by reacting ethylene with 1,5-cyclo-octadiene and cyclo-octene, respectively.

The plant, which has no customers at present, is expected to serve a world market, with more than 90 per cent of a design capacity of 3,000 tonnes per year likely to be exported.

His business manager, Mr Bouwe de Jong, has been developing the new market for speciality olefins for the past two years. Shell has its own potential customers in-house, for high-purity intermediates for its pharmaceutical and aroma products. But one of the most encouraging signs is the patent literature, where Mr de Jong has uncovered more than 200 patents on the use of "partial structures" of the kind Berre is expected to make.

Shell is claiming a process which is extremely flexible in that it can be tuned to induce almost any pair of olefins to react.

Disproportionation is a catalytic process for cleaving the double-bond of an olefin module, and then rearranging the resulting fragments. Researchers in the chemical process department of Koninklijke-Shell-Laboratorium have devised a small, all-purpose reactor which can be tuned to the speciality required.

The essentials of this reactor are shown in the accompanying sketch. It will be a small "black box" at the heart of an otherwise conventional refinery complex at Berre. The plan is to run the plant on campaigns determined by the demand for different chemicals.

The catalytic convertor will run continuously, in the liquid phase, at ambient temperature and low pressure. It has been demonstrated in Amsterdam on a 50 kg a day pilot unit, with yields exceeding 90 per cent, Shell says. The catalyst is readily recovered.

DAVID FISHLOCK

Alvey programme launches £15.5m Flagship project

COMPUTER messages that split, amoeba-like, into ancillary instructions as they pass along complex electronic pathways are at the heart of a new collaborative project announced under Britain's £350m Alvey programme.

In the £15.5m Flagship project, ICL, Plessey, Manchester University and Imperial College, London, will join forces to work on computers that may be able to operate 100 times faster than today's.

The work will pool ideas about computers and turn them into working hardware to be assembled at Manchester University. The research could lead to fast processors that form the core of commercial computers.

Flagship is supported under the Alvey programme of advanced computing research. The five-year programme, half completed, is putting £200m of Government money into 150 collaborative programmes in information technology. Industry is putting up a further £150m.

Under Flagship, the four participating concerns hope to complete the first prototype of their novel computer by 1987. Work on the instructions needed to drive it would be finished a year later.

Similar programmes to Flagship operate under the auspices of the fifth-generation computer project in Japan and the Defense Advanced Projects Research Agency in the US.

Flagship emphasises two key technologies, parallel processing and declarative languages. In parallel processing, a machine works on dozens, perhaps hundreds, of instructions at the same time. This is in contrast to virtually all today's computers which process instructions in sequence.

Parallel processors contain large arrays of microelectronic chips, linked so that instructions can pass from one to another in a variety of routes. Early versions of the Flagship machines will be based on Alice, a parallel processor devised by Imperial College.

The main building block for Alice is the transputer, a novel microprocessor developed by Inmos, the UK chip company. In the form of Alice to be finished next year, 200 transputers will be connected in what computer engineers call a "graph reduction" machine.

In Alice, instructions pass between groups of chips, five of which are responsible for one processing operation. The instructions can be likened to messages sent along a complicated tree-and-branch system, some parts of which spread outwards while others double back to join segments of the main trunk.

The system is so arranged that, at specific points, the messages split into sub-instructions that follow different routes to be processed in a variety of ways in other parts of the network. If plotted on paper, the system would resemble a particularly complex game of snakes and ladders.

Work on Alice is to be supplemented by studies in "dataflow" architecture at Manchester University, which provides a method to link the branches of the computer system.

In the research in declarative languages, computer specialists are trying to code software instructions using formal mathematical concepts which do not depend on the layout of the processing and memory elements in a particular computer.

As a result, the instructions can be made universal to a range of different types of hardware. They can, moreover, use a format which resembles the human language rather than a mechanism devised to meet the computer specifications.

PETER MARSH

UK COMPANY NEWS

Hanson £253m beats City forecasts

Hanson Trust, one of the UK's largest industrial companies, has exceeded City forecasts with a near 50 per cent rise in full year taxable profits from £169.1m to a record £252.8m.

Profits improved on both sides of the Atlantic and also benefited from a 48 per cent cut to £28.4m in net interest and central expenses.

Hanson's share price, which has been damaged by *last year's* £520m rights, a failed bid for Powell Duffryn and the *long* running legal battle for SCM, closed *3p higher yesterday at* 210p, giving a market value of *nearly £3bn.*

Analysts had been looking for *profits in a fairly wide range of* between £240m to £250m.

The *profits rise was almost* equally split between the UK, which rose *from* £121.1m to £149.5m, and the US, which rose from £102.7m to £131.7m.

Lord Hanson, the group chairman, has a confident outlook on prospects while Sir Gordon White, chairman of Hanson's US interests, says the future in the US "looks bright with USI now fully absorbed."

Sir Gordon adds that besides the awaited appeal court decision on SCM many other opportunities are being examined. Resources will continue to be employed to "generate the greatest returns on capital and *enhance our shareholder value."*

Hanson, which now has over 85,000 shareholders compared with 55,000 the year before, is lifting the final dividend from an adjusted 2.12p to 2.85p and is proposing a one-for-three scrip.

Undiluted *earnings per share* have risen from 12.5p to 15.4p, *giving a cover of nearly three* times for the higher total *dividend of 4.35p (3.26p) for the* year to end September 1985.

Four out of the five UK divisions notched up profit increases; *British Ever Ready was the exception.* In the US, four divisions *managed gains while three suffered falls.*

The largest increase in the UK was made by Hanson Brick, which benefited from a full 12 months contribution from London Brick, while USI Lighting in the US more than doubled profits.

In addition to the gains above the line, there were extraordinary credits of £11.4m, against charges of £3.1m, which left attributable profits well ahead from £122.2m to £204.5m.

Hanson Brick, which increased profits from £32.6m to £53.8m, has initiated a cost control and productivity programme at London Brick to revitalise its competitiveness in the higher end of the building materials market.

At Butterley *Brick* (non-flettons), which says Lord Hanson *produced spectacular results, investment* is continuing in plant and machinery at the 19 brickworks.

While profits from British Ever Ready declined from £31.9m to £30.8m, Lord Hanson says that with its new range of batteries, "the company has shown great success in the fight for its market share."

He adds that, against a likely decline in total UK industry *sales volume*, "our emphasis on the quality and performance of our simplified battery range will further strengthen our position as the number one UK battery manufacturer."

Alders, *the* UK departmental stores, duty free shops, and *retailing subsidiary*, produced a record profit of £29m, against £24.8m, in a "*hive of activity* worldwide."

Profits at Hanson Engineering improved from £10.9m to £11.7m with the SLD Group experiencing another record year. SLD Olding was merged into the new Volvo and Clark worldwide construction machinery group resulting in a stake in a much larger company.

Lindustries, the UK manufacturer of energy related products, lifted profits to £24.2m, against £20.9m, yielding an improved return on investment capital and cash flow.

In the US, Sir Gordon says that the world's third largest *lighting company, USI Lighting,* doubled profits from £9m to £18.5m on sales considerably ahead from £70m to £153m.

He says that consumer products, mainly shoe manufacturing and retailing, maintained strong earnings with profits of £22.6m (£24.1m) achieved in the face of competition from imports and an overstocked retail section.

Hanson Building products took advantage of a strong US housing and office building sector contributing an "impressive profit" of £29.1m (£19.5m).

Carisbrook, textiles, generated lower profits of £15m (£30.4m) with US textile companies hit by the dollar's high value and imports. Cost *reductions and a* less overstocked position by *retailers should, says Sir Gordon,* lead to an improvement in 1986.

Profits from food products and services including Interstate, now sold, fell by £1.5m to £14m. Demand remained strong for Hygrade's Ball Park frankfurters and other premium products.

USI Industrial, engaged in serving the oil, building, car and engineering industries, contributed a higher £16.6m, against £5.7m. And furniture and furnishings improved from £8.5m to £15.9m with a record year in office furniture and a record return on capital of over 60 per cent.

See Lex

Flying start for Ashley with 59p premium

By Richard Tomkins

Shares in Laura Ashley, the fashion and design group floated on the stock market, more than fulfilled expecta*tions by going to a 59p* premium when dealings *opened yesterday.*

The offer for sale of 46.5m shares at 135p each had been oversubscribed 34 times and applicants received a small proportion, if any, of the shares they applied for.

Strong demand produced an opening price of 193p. The shares then rose to 194p before edging back during the day to close 53p up at 188p.

At that level, small investors who were allocated 300 shares in the ballot, are showing a paper profit of £159.

Last week some forecasters had expected the price to end *the first day's* dealings at about 175p but yesterday *brokers were predicting* that the shares would settle close *to their present level.* "I think it's a reasonable sort of valuation for a premier retail stock," said one.

The new shareholders in Laura Ashley include most of the company's staff. *It* was announced yesterday that 95 per cent of eligible UK employees had taken up the free offer of £50 worth of shares at the offer price. Some 54 per cent of the staff also bought shares subscribing on average £1,236 each.

● Shares in Abbott Mead Vickers, the advertising group whose offer for sale at 180p was oversubscribed 30 times, also went to a strong premium yesterday. The price opened at 195p and rose to 213p before settling back to *close at 203p.*

Bass profits up 17% in spite of Runcorn strike

Bass, the UK's largest brewer, yesterday reported profits of £255.1m for the 1984-85 year—*a rise of 17 per cent*—despite a strike in its Runcorn, Cheshire, brewery which cost it several million pounds.

The outcome was towards the upper end of City expectations, *but in a falling sector the com*pany's shares rose 3p on the day to close at 653p.

Mr Derek Palmar, the chairman, said that the result was good, and would have been better but for the dispute and the fact that last year the period to September 30 included a 53rd week.

The profit rise represents a slowdown from the 26 per cent growth rate reported at midway, but this had been foreseen. Mr Palmar also pointed out that the important Easter trading period fell in the first half this year.

On the plus side, he said that the group completed the year with beer volumes only marginally down, despite *the* Runcorn dispute. Bass's decline was less than that experienced by the industry as a whole.

Overall turnover moved ahead from £2.25bn to £2.41bn, or by *some 7 per cent. This* breaks down as to brewing, drinks and pub retailing £1.77bn (£1.68bn) and leisure £641.2m (£571.3m). Trading profits came *out* at £268.4m against £235.3m, representing an *improvement in mar*gins of over one percentage point to *12 per cent.*

On current prospects, Mr Palmar *said that* trading so far in the 1985-86 year had exceeded that of the comparable period, and the outlook was good.

The final dividend is to be raised from 9.6p to 11p, lifting *the* total for the year by 1.8p to 14.7p net per share.

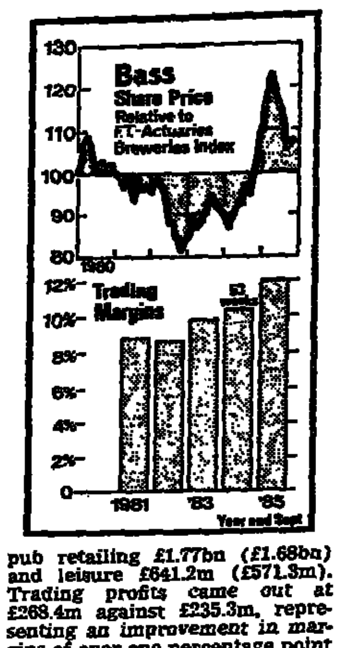
The chairman was most pleased with the performance of the *leisure* division, which increased profits by 27 per cent from £35.7m *to* £45.4m, before a loss of £2.1m (£0.3m credit) on fixed *asset disposal.*

The brewing, drinks and pub retailing *sector* made £214.2m at the trading level, up from £189.3m, excluding a £10.9m (£10m) surplus on the disposal *of fixed asets.*

Interest charges totalled £13.3m against £16.9m. The company spent £235.6m on fixed *capital* in the year—a considerable increase, according to the *chairman.* He said that the group's confidence in its main business areas is reinforced by the allocation of £297.5m of capital in the current year.

After tax of £87.4m (£73.4m) in the UK and £2.9m (£1.3m) overseas, the net result came out at £164.8m against £143.7m, from which dividends will account for £48m (£41.9m). Retained profits were up at £116.3m against £91.4m.

See Lex



Record £86m by Lombard North Central

Lombard North Central, the finance house subsidiary of National Westminster Bank, raised pre-tax profits by 10 per cent from £77.9m to a record £85.7m in the year ended September 30, 1985.

Sir Hugh Cubitt, the chairman *said* the result was achieved despite high interest rates over *much of the period. He* described the performance as *excellent and said that new busi*ness had reached record levels *with a major factor* being nearly doubled finance leasing.

He added that a substantial proportion of this was due to *customers' accelerating* investment in plant and equipment to take advantage of first year allowances. However, he said there was still a strong underlying demand for this type of finance.

The chairman referred to an improvement in arrears, but said the level was still unacceptably high. However, because of an increase in outstandings, the improvement did not have a material effect on the total charge for bad debts which was similar to the previous year.

Strike slows Ferranti's growth

THE PROFITS growth experienced by Ferranti over the past few years has been slowed by a strike at its Dundee factory.

The strike, in May and June, had *the effect of reducing pro*fits by about £1m over the six months ended September 30 and for the period the group saw its pre-tax figures rise by only £0.4m to £18.9m.

The interim dividend, however, goes up from 0.52p to 0.55p net.

Turnover pushed ahead from £252.9m to £279.1m and at the opening level profits came through £1.6m ahead at £21.7m—the group is an electrical and electronic engineer.

Production of semiconductors in the electronics division was again below full capacity and margins were significantly down on those of a year earlier. Margins elsewhere in the group generally improved.

The directors say the group's order book stands at a record level and that further significant business has been secured, in particular for fixed wing and helicopter radar and for home and export naval systems.

They add that recent export *success for Tornado and Sea* Harrier aircraft and the agreement on the European Fighter Aircraft project are encouraging opportunities for the future.

Although the order book for the products of the electronics division has fallen considerably during the year, recently there have been signs of improvement in the division's market and order input has increased. New project activity for customers is at a high level.

However, it is pointed out that these favourable factors are unlikely to affect the trading performance until the next financial year.

Investment in new capital equipment continues to be substantial and in the six months to September 30, totalled over *£18m, an increase of 20 per cent* on last year.

Interest payable less investment income accounted for *£2.8m (£1.6m).*

Earnings were held at 3p per 10p share.

● comment

In a new shuffling of the UK electronics pack, Ferranti is perhaps the single defence contractor least likely to play an active part. Probably the only player to get through this interim results season without a drop in profits, Ferranti starts off with a premium rating—20 times historic earnings—sufficient to discourage any of the others from making a bid, even supposing that the MoD were to give its blessing. Yet the idea of a GEC/Plessey merger is one which ought to give Ferranti warm feelings: already chipping away at GEC and Plessey positions in airborne and marine radars, Ferranti *could expect to become still more* favoured, post-merger, as the *alternative source for these* items. Meanwhile, it has shown *that even with a strike in Dundee* and a predictable struggle in semiconductors it can produce a modest overall improvement. Assuming that the electronics division nets somewhere near to making half the profits of last year, Ferranti as a whole should still be able to push £50m pretax. A bulge in capital spending has absorbed cash in the first half, but even so the interest charge should be covered at least 10 times. Despite all the attractions, at 134p Ferranti is scarcely the best speculative bargain—or even the best recovery gamble—in the sector.

Dee leaps 49% to over £40m

Dee Corporation, the retail and cash and carry distribution group, lifted pre-tax profits by 49 per cent from a restated £27.52m to £41.05m in the 28 weeks to November 9 1985. The market, however, was not impressed and the shares closed 13p lower at 270p.

Comparatives have been restated to reflect the acquisition of International Stores—last year's reported interim pre-tax figure was £17.07m.

At the trading level, profits were up 53 per cent from a restated £28.84m to £44.12m, including property profits of £947,000, against £3.85m. Trading results, excluding the property contribution, increased by more than 70 per cent.

Mr Alec Monk, the chairman, *warns, however, that this rate* of growth will not continue in the second half. Gateway will be experiencing growth on growth following the acquisition of International while margins in the International stores will fall initially as the standardised range and prices are progressively introduced.

Eventually, this policy is expected to lead to higher sales and improving margins in future years. The board is confident, however, of seeing good progress this year while building a further platform for growth in the years ahead.

Earnings per 5p share, after adjusting for the five-for-four *share split, improved from 5.8p* to 8p. The interim dividend is, *in effect*, 55.5 *per cent higher* at 2.8p (1.8p). But while the *board is confident of making* further progress, it is not expected that the final will be increased so substantially—last year's final was 4p.

Turnover, excluding VAT, rose by 17 per cent to £1.45bn (£1.24bn) in the half-year. Interest payments more than doubled from £1.32m to £3.07m and reflected *increased stock* levels, the rationalisation of the distribution *arrangements* of Gateway, Carrefour and Linfood, and the *improvements in* availability of goods at the Linfood *depots.*

Tax was up from £3.15m to *£4.2m. There was also an extra*ordinary credit of £9.36m *(£895,000 charge)* arising from the profit taken on the sale of Booker McConnell shares—Mr Monk comments that the decision not to increase Dee's offer for Booker now seems fully justified. After dividends, the retained balance came through at £33.06m, against £15.21m.

See Lex

Pyke advises 'wait and see' attitude

By Frank Kane

Pyke Holdings, the catering butcher which has seen its *£17m agreed offer* from Hillsdown Holdings thrown *into confusion by a tender* offer for up to 28.5 per cent *of its shares, has advised* shareholders to adopt a "wait *and see*" attitude *to Glen* International's tender.

The Pyke directors, who have already pledged their own holding of 14.1 per cent for the Hillsdown terms, are writing to shareholders today advising them to reject the Glen offer, but adding that they "have nothing to lose by waiting until after they have heard from the board and seen the Hillsdown offer."

The formal terms from Hillsdown will be sent to *shareholders* on December 12, six days before the tender *offer closes.*

On last night's closing price for *Hillsdown* of 185p unchanged, Pyke is valued at 396p per share, but they closed at 410p, down 5p on the day.

Laurie Milbank, advising Pyke, indicated last night that it would be bad for shareholders to accept the tender terms, despite the premium on price, because it might jeopardise the Hillsdown offer. Also because Glen, a financial services company known mainly for its dealings in the corporate foreign bonds markets, was an unknown quantity in the foods business.

Smith & Nephew advances £10m

THE EXPECTED growth at Smith & Nephew Associated Companies continued in the third quarter and enabled the group to lift pre-tax profits for the first nine months of the year by £9.89m to £47.47m.

Profits for the third quarter improved from last time's £13.44m to £17.07m.

For the nine months, to October 5 1985, sales rose to £328.69m, an increase of 17.6 per cent over the corresponding period's £279.51m, and operating profits came through at £45.09m, an advance of 25.5 per cent—the group manufactures medical and healthcare products, as well as textiles and toiletries.

Pre-tax results were struck after £2.95m (£2.58m) net cost of borrowings and adding in a £1.1m higher share of related companies' profits of £5.34m.

Tax rose from £12.97m to *£15.85m* and *after* minorities of £7,000 (£14,000) net profits emerged *at £31.62m, compared* with £24.6m, an increase of *28.5 per cent.*

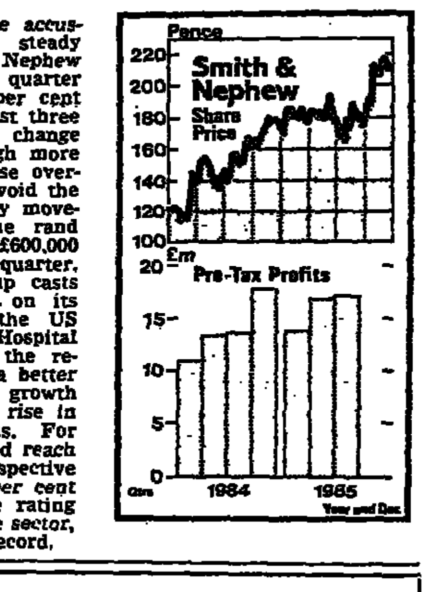
Earnings for the nine months *amounted to 7.87p (6.51p) per* 10p share.

Sales for the period exclude those for both inter-company and related companies.

At the 24-week stage pre-tax *profits were showing an improve*ment of £6.27m at £30.41m and *in their report for the period the* directors said they expected the group's results to continue on a satisfactory trend

● comment

*The market has become accus*tomed to continuous steady growth from Smith & Nephew and yesterday's third quarter results, showing a 27 per cent rise pre-tax for the latest three months, did nothing to change that perception. Although more than half its profits arise overseas S & N hedges to avoid the worst effects of currency movements but even so the rand managed to deliver a £600,000 body blow in the third quarter. True to form the group casts very little illumination on its figures but obviously the US acquisition, Affiliated Hospital Products, is bolstering the reported results. Perhaps a better guide to the underlying growth *rate* is the 21 per cent rise *in* eps for the nine months. For *the full year profits could reach* £69m suggesting a prospective *p/e of 18½ after a 32 per cent* tax charge. At 209p the rating looks a shade rich for the sector, even with its enviable record.



DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bass	11	—	9.6	14.7	12.9
Castings ....int.	0.8	—	0.67*	—	2.5*
Dee Corporation ...int.	2.8	Feb 28	1.8¶	—	5.8¶
Fairline Boats	2.7	Jan 30	1.5	4.2	2.63
Ferranti ....int.	0.55	Feb 6	0.52	—	1.56
Fine Art ....int.	1.2	Jan 18	1.1	—	3.3
Hanson Trust	2.85†	Feb 7	2.12*	4.35	3.26*
Hargreaves Gp ....int.	2.4	Jan 28	2	—	4.5
Investment Co ....int.	0.44	Dec 20	0.44	—	1.05
Mercury Selected ...int.	26‖	Jan 8	35	26	35
Property & Rev. ...int.	1.5	Jan 8	1.25	—	4.1
Rowlinson Securits. int.	0.18	Jan 21	0.18	—	0.65
Scapa Group ....int.	4†	Jan 17	3.7	—	11

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Adjusted for 5-for-4 share split. ‖ Gross throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Alpine Soft Drinks, Boosey and Hawkes, Continuous Stationery, Euston Centre Properties, Hicking Pentecost, John Michael Design, Longton Industrial, Osprey Communications, R. Kelvin Watson.

Final:—Hay and Robertson.

FUTURE DATES

Interims:—

Belhaven Brewery	Dec 16
British Benzol Carbonising	Dec 17
Brown and Tawse	Dec 16
DBE Technology	Dec 13
Hampton Trust	Dec 17
Ingram (Harold)	Dec 12
Oldacre	Jan 9
Shaw Carpets	Jan 3
Stock Conversion	Dec 9
Wagon Industrial	Dec 11

Finals:—

Burns-Anderson	Dec 10
Chemring	Dec 13
City Site Estates	Dec 10
Hunslet	Dec 9
Watson and Philip	Dec 17

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UK COMPANY NEWS

Glaxo negotiates sale of Farley to Boots for £40m

BY TONY JACKSON

Glaxo, the UK drug company, is negotiating the sale of its Farley Health Products business to Boots for a price estimated at up to £40m.

Farley makes Ostermilk baby milk, Farley rusks and the nutritional supplement Complan.

The sale is the fourth this year by Glaxo of UK companies falling outside its mainstream business of prescription medicines.

Other disposals have been the Vestric drug distribution business to AH Holdings, the surgical products producer Eschmann Bros to Smith Industries and hospital furniture makers W. H. Deane to a management buy-out team.

Vestric and Eschmann were both troubled companies, and the three disposals gave rise to an extraordinary charge in last year's accounts of £12.9m.

Farley, by contrast, is estimated to have made between £3m to £4m pre-tax last year on stated sales of £40m.

The sale will leave Glaxo with only a handful of non-prescription products in the UK. Earlier this year several Farley products, including Dequadin cough tablets and Haliborange and Minadex vitamin supplements, were transferred to another Glaxo subsidiary, Evans Medical.

Besides those products, Glaxo's only interests now away from prescription medicines are a few proprietary medicine brands outside the UK and the group's animal health business.

Glaxo said "the fundamental purpose of the company is to do what it is best at—and that is prescription medicines."

For Boots, the purchase is part of an established emphasis in the opposite direction — towards consumer products. The group has three marketing divisions, dealing with prescription medicines, food and toiletries, but does not have rival products in the Farley range.

"We already have the marketing expertise, but the products are new and fit in beautifully," Boots said. UK marketing for the company is carried out by a subsidiary, Crookes Products, which sells to Boots outlets as well as to third parties.

It is expected that negotiations will take until early next year to complete. Farley has a domestic business, an export business and a small manufacturing base overseas.

Boots has declared its interest in the first two parts of the business, but the purchase of the overseas business is still a matter for discussion.

McCorquodale calls off Clay bid

BY LIONAL BARBER

McCorquodale, the security printing and packaging group, laid the blame for its decision yesterday to abandon its £12.2m bid for Richard Clay, the book printers, on the Government.

McCorquodale's bid was upstaged last month by St Ives, the magazine printer, which made an £18.8m agreed offer for Clay. McCorquodale's bid had previously been referred by the Government to the Monopolies Commission.

Immediately following the St Ives offer, McCorquodale sought permission from the Department of Trade and Industry to be released from an earlier undertaking not to purchase more than 15 per cent of Clay.

According to Mr John Holloran, McCorquodale's managing director, the company had to wait a crucial two weeks before obtaining permission to re-enter the takeover battle.

"We were put into a straightjacket by the government," said Mr Holloran, noting that in the two weeks that passed with McCorquodale on the side-lines, St Ives bought shares and received irrevocable undertakings for 29.6 per cent of Clay's shares.

"We were not able to compete with St Ives on an equal basis and therefore had no option but to abandon our bid," said Mr Holloran.

The Department of Trade and Industry declined to comment on McCorquodale's complaint of unfair treatment last night. But the Office of Fair Trading confirmed that it had waived recommending a referral of the St Ives bid to the Monopolies Commission, thus allowing St Ives to proceed with its offer.

An OFT spokesman said that the St Ives bid could not be referred under the Fair Trading Act since the company's market share and the size of the deal were too small.

St Ives came to the market via a tender offer only three months ago. It is offering 44 new shares for every 100 Clay shares, with a full cash alternative of 190p.

The deal also means that St Ives wil issue just under 4m new shares, representing an increase of 38.6 per cent in its share capital.

Queen's Moat £7m purchase

Queen's Moat Houses, the fast growing hotel group, is making an agreed all-share offer worth £6.8m for Dean Park, a USM-quoted company

Dean Park has hotels in Renfrew (near Glasgow airport), Watford and Stevenage with a total of 308 rooms.

Dean Park, formerly known as Martin Black, yesterday announced a pre-tax profit of £108,000 from non-hotel operations in the six months ended September 1985, as well as £72,000 from the hotel operations for the two months for which they were included.

Queen's Moat is offering 19 of its own shares for every 22 Dean Park with a cash alternative of 55p per share.

M. Brown defence forecast

Matthew Brown, the Blackburn-based brewer fighting a £125m takeover bid from Scottish & Newcastle, yesterday forecast an 18 per cent increase in pre-tax profits to £9.7m and a 22 per cent rise in total dividends to 14p per share for 1986.

Despite the bullish profits forecast, Matthew Brown's shares fell 17p to close at 543p. S & N's shares fell 3p to close at 180p.

On the basis of these prices, S & N's offer of 16 new ordinary shares for every five Matthew Brown shares values the Blackburn brewer at 576p per share. S & N is also offering a full cash alternative of 540p.

Morgan Grenfell, advising S & N, said the fall in Matthew Brown's shares confirmed their argument that there is a sizeable bid premium built into Matthew Brown's share price which will disappear if the S & N bid fails. Schroders, advising Matthew Brown, said the fall showed a lack of confidence in S & N's shares.

On Wednesday, Schroders bought 25,000 shares in Matthew Brown at 556p. It is understood that it purchased a further tiny proportion of Brown shares yesterday just as the brewer's share price moved towards 540p, when S & N would be allowed to re-enter the market.

Schroders said it was confident that it could count on 26 per cent of Brown's equity, roughly matching S & N's current holding.

Entrad severs link with Tootal through £42m share sale

BY CHARLES BATCHELOR

Entrad, the Australian textile group which made an unsuccessful £124m takeover bid in February for Tootal, the thread and textile company, yesterday sold the 29.9 per cent stake it had built up for about £42m.

The 53.15m Tootal shares were placed at about 78p each by stockbrokers Laing and Cruickshank with a wide range of clients.

Entrad is understood to have made a profit of about £4m on the sale. It also made a foreign exchange profit on the movement of the Australian dollar against sterling though against this must be set the cost of borrowings to finance the share purchase.

The two Entrad directors who took up non-executive positions on the Tootal board, Mr Abe Goldberg, Entrad's chairman, and Mr Zev Furst, a director, will resign.

Mr John Atkin, Tootal's planning manager, said: "We obviously want to be independent and the more widely held our shares are the happier we are."

Tootal's shares fell 7p to 77p.

Sale of the shares was unexpected since the two companies reached a peace pact in July. In return for boardroom representation the Australian company agreed not to increase or reduce the size of its holding or make a full bid without Tootal's approval for as long as it retained board representation and for a year thereafter, and in any event for not less than two years.

Entrad is understood to have sold the shares to raise funds for the A$368m bid it launched last month, together with two of its largest shareholders, for Allied Mills, the Australian foods group.

Entrad, together with the Lipkies and Logan families, launched a A$3.50 cash per share counterbid for Allied Mills, which was already under seige by Fielder Gillespie Davis, another Australian food group.

Norton Villiers unveils plans for a new look

BY MARTIN DICKSON

AN ERA ended in the British motor cycle industry yesterday when plans were unveiled to transform Norton Villiers Triumph, one of the few surviving names in the sector, into a property and financial services company.

However, the highly complex plan involves only the "shell" of NVT and not its manufacturing subsidiary, Norton Motors, which will continue to make cycles as a subsidiary of Manganese Bronze Holdings.

Manganese Bronze currently owns 49.99 of NVT's ordinary shares, with the remainder held by some 13,000 investors.

Morgan Nicholls, a recently formed property company with ambitions to expand into financial services, is offering to exchange one of its ordinary shares for each NVT share, with a 1p a share cash alternative.

Morgan Nicholls is headed by two ex-army officers and property entrepreneurs, Mr Martin Nicholls, 34, and Mr Nigel Morgan, 31. It has acquired two properties, one of which it intends to develop. Mr Nicholls' interests will also be investing £1.5m in the company.

NVT, which employs 40 people, has not traded profitably since 1974 and would have to earn net profits of over £8.5m to clear losses and dividend arrears before ordinary shareholders would get a dividend.

Essentially, therefore, shareholders are being offered a stake in an untried enterprise which might, however, offer them more hope of financial reward than NVT.

For tax and other reasons, the deal is being structured so that Manganese accepts the offer for its ordinary shares and its NVT preference shares, but then buys back all the shares acquired by Morgan, retaining NVT (which will be renamed) as a subsidiary.

Manganese will get some £90,000 net from the deal, but much, if not all, will be eaten up in expenses.

For Morgan, the advantages of the deal are essentially two fold: firstly it will be greatly increasing its number of shareholders, which it hopes will make its shares more marketable. Secondly, it will be changing its title to Norton Villiers Triumph, a well-known name, albeit in a motor cycle context.

For Manganese, the plan means an end to the burden of NVT: with 13,000 shareholders, the cost of maintaining the share register and distributing accounts was over £30,000.

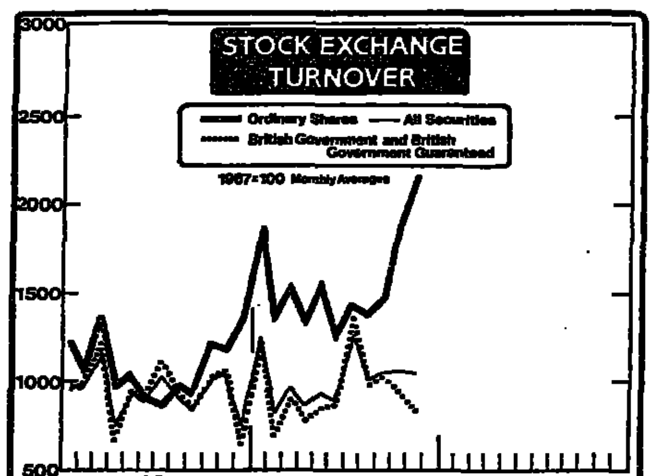
STOCK EXCHANGE BUSINESS IN NOVEMBER

Takeover fervour boosts equity turnover to record £12.2bn

BY GRAHAM DELLER

Intense corporate takeover activity — both actual and rumoured—lifted equity turnover to record levels for the second successive month as both professional and institutional investors reassessed the bid vulnerability of many leading UK industrial companies in the wake of the offer for Allied-Lyons from Australia's Elders IXL.

Business in ordinary shares on the London Stock Exchange during November expanded by 15.9 per cent, or £1.67bn, to £12.20bn. The number of bargains transacted also showed a sizeable increase, rising 54,442 to 562,808, while the average value per equity bargain was £21,700—£1,000 more than in October.



The Financial Times turnover index for ordinary shares rose to a record 2,177.3 against the previous all-time peak of 1,878.5 recorded in October.

Takeover fervour, which had already caused indices to scale new peaks, escalated throughout November to encompass companies previously regarded as bid-proof. This in turn prompted a spate of defensive mergers, notably those proposed between high street retailers British Home Stores and Habitat Mothercare, and between Imperial Group and United Biscuits.

Company trading statements also pleased followers with profits from Burton, Boots, Lucas Industries, British Petroleum and Distillers all exceeding market expectations—the last mentioned forming part of a defence to the long-awaited bid from Argyll Group, which duly arrived at the beginning of December.

The FT Ordinary share index attained an all-time high of 1,146.9 on November 25 before closing the month 73.8 points higher on balance at 1,142.9. Confidence was additionally buoyed by cheerful forecasts of falling inflation and the belief that substantial funds were still available for investment, a view reinforced by the massive over-subscription for shares in Laura Ashley and the ease by which a £115m share placing in Reuters Holdings was accomplished.

As in October, British Government securities were overshadowed by equities. After an encouraging start to the month, Gilt values lost ground following disappointing UK money supply figures. However, prices staged a useful rally later after surprisingly good PSBR figures coupled with consideration of buoyant US bond markets. The FT Government Securities index, down to 82.93 on November 11, recovered to 83.98, before closing the month 0.17 lower on balance at 83.81.

Gilt-edged volume declined £2.94bn, or 13.2 per cent to £19.42bn. Business in short-dated maturities showed the steeper contraction with a drop of £3.02bn, or just over 30 per cent to £7.0bn. The Financial Times turnover index for Government Securities was 821.8 compared with the previous month's measure of 946.2.

Overall business during November fell £0.79bn, or 2.3 per cent to £34.02bn.

BASE LENDING RATES

Allied Dunbar & Co.	11½%	■ Guinness Mahon	11½%
Allied Irish Bank	11½%	■ Hambros Bank	11½%
American Express Bk.	11½%	Heritable & Gen. Trust	11½%
ABN Bank	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

UK COMPANY NEWS

Lionel Barber on the financing of Argyll's offer for Distillers

How the City backed a £1.9bn bid

THE £1.9bn hostile bid for Distillers launched this week by Argyll is notable not only because of its size.

According to those involved in putting the record deal together, the terms foreshadow the high-risk, high-reward features of "Big Bang," the phrase used to describe the explosive effect of scrapping fixed commissions in the City of London next year.

Argyll's financial advisers, Samuel Montagu and Charterhouse Japhet, have arranged the loan finance (£600m) and the underwriting (£1.2bn) so that those involved in the initial stages will receive far higher commitment and commission fees if the bid succeeds.

If the bid fails—or if it is referred to the Monopolies Commission — then they receive virtually nothing.

For Argyll, capitalised at around £675m, one third of Distillers' size, the differing commission rates matter: if the bid is referred, it stands to pay less than £10m in costs; if it succeeds, total fees, including stamp duty, will amount to about £74m—or 20p a Distillers share, in the context of the 523p a share bid.

Mr David Webster, Argyll's finance director, says that the willingness of financial institutions to negotiate such a wide range of commissions reflects changing attitudes in the City to the big deal. "When Big Bang happens next year, these attitudes will become more pronounced, with a premium being put on success."

The Argyll bid can be split into three essential parts: some £600m of loan finance; a slab of £500m underwriting pre-arranged between six financial institutions before the bid was launched; and, finally, a £700m chunk of underwriting which went through the market when the bid was announced last Monday.

Four banks—Samuel Montagu, Charterhouse Japhet, Midland and Citibank—took on the risk for the £600m. Citibank has expressed publically its desire to be a big player in UK corporate finance.

Only last month, the American bank played a leading role in the consortium of international banks backing Elders IXL, the Australian brewing and trading group, in its hostile bid for Allied Lyons, the British food and drinks conglomerate.

Mr Ernie Cole, a director at Samuel Montague, says the assumption of the £600m risk by a small number of banks was necessary in order to preserve secrecy (though a premature leak spoiled Argyll's chance of bidding last September when Distillers' share price stood around 400p). But he adds: "Banks like to be in on the headline transactions."

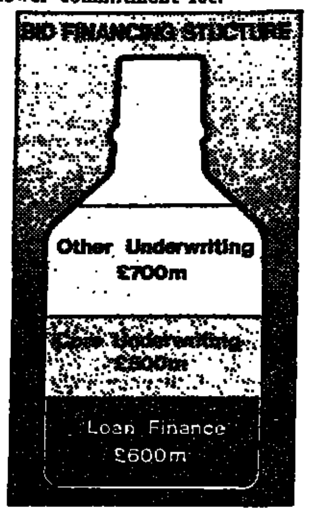
And to make money. Last Monday, it was revealed that the Royal Bank of Scotland, Distillers own leading banker, had decided to assume part of the loan financing, with the result that Distillers is now considering dismissing the Royal.

"We are very concerned about what happened," said Mr Bill Spengler, Distillers newly-appointed American deputy chairman, "and we are very unhappy about the Royal Bank's behaviour."

However, Mr Charles Winter, the Royal Bank's chief executive, described the Royal's role as neutral. "We took this on as a strict commercial proposition."

On the loan finance, the banks will provide an eight-year £600m loan, receiving a rate of 0.35 per cent over London Inter Bank Offered Rate (Libor) between years one to five. In years six to eight, the rate rises, to 0.5 per cent over Libor.

However, if the bid is referred to the Monopolies Commission—a distinct possibility given the importance of the Scotch whisky business to British exports—then the banks will receive a much lower commitment fee.



The same premium on success applies to the first £500m slab of underwriting, pre-arranged between six institutions which include Argyll's pension fund managers, Warburg Investment Management and Montagu Investment Management.

If the bid succeeds, this small group, the so-called core underwriters, will receive a commission fee of around 3 per cent, one percentage point higher than usual.

There is an interesting feature: these underwriters will receive a package which includes a flat fee of just over 2½ per cent at the end of the bid period of up to 72 days, instead of a fee up-front. If the bid fails—or if it is referred—then they receive less than ½ per cent.

Mr Rupert Faure Walker, who designed the underwriting deal with his Samuel Montagu colleague Mr Ian McIntosh, says that its successful completion last Monday shows City confidence in Argyll's ability to pull off a successful bid.

However, there was a last-minute hitch last Friday when a leading City institution telephoned Argyll to complain that it had been excluded from the core of underwriters assembled by Samuel Montagu last September.

This institution—which Argyll declined to name—is a Distillers shareholder and not only took a sizable chunk of the core underwriting but also a slab on Monday.

There is a fundamental question posed by the entrance of the financial institutions on the side of Argyll: do they hope to oust a much criticised Distillers management (reflecting earlier moves by the institutions to force changes in the senior management of companies such as the Rank Organisation) or have they simply taken a strict commercial view of attractive underwriting?

No one involved is prepared to give a clear answer, though one party involved in the discussions last Friday, said: "In a takeover bid this size, no one wants to be left out. These days it is a question of showing you can be a big player."

Hargreaves lifts interim on good figures

FOR THE current year ending March 31 1986 the directors of the Hargreaves Group are looking for pre-tax profits in excess of the £7m achieved for 1984-85.

Reporting on the first six months to September 30 1985, Mr David Peake, chairman, says turnover rose 25 per cent to £146.82m while the pre-tax profit surged by 58.6 per cent, from £2.28m to £4.48m. This excellent result, following on from last year's record, underlines the extent to which the group has moved to a new level of earnings, he says.

And not the least satisfying aspect is that the increase is derived from all parts of the business—energy, transport and shipping services; environment and construction materials; and commercial vehicle distribution. The second half, he tells members, has started well.

Trading profit rose by nearly 38 per cent to £4.59m, and the pre-tax balance was further boosted by a cut from £506,000 to £112,000 in net interest payable. This was the result of greater profitability and the receipt of the proceeds from the sale of the road tanker transport business, Hargreaves Transport.

Mr Peake says the "excellent" results justify an increased distribution to shareholders, and the interim is being lifted from 2p to 2.4p net. The final last time was 2.5p.

A split of turnover and pre-tax profit shows energy contributed £118.89m (£94.75m) and £2.65m (£2.15m), environment £15.24m (£11.07m) and £1.68m (£668,000), and vehicle £12.68m (£11.52m) and £146,000 (£9,000).

Reviewing the energy division, the chairman says in the aftermath of the NUM strike there was an upturn in activity in the solid fuel sector, and this has continued in the normal conditions now prevailing.

The oil sector continued to perform well. The recent acquisition of Freedom Petroleum will be another significant step in the policy of building on the group's strengths.

After tax £1.88m (£850,000) minorities £79,000 (£38,000), net profit for the half year came to £2.52m (£1.93m) for earnings of 7.1p (5.5p) per share.

● comment

Increasing profits by 60 per cent over an exceptionally strong comparable period is no mean achievement, and if the market's award of an extra 4p on the share price to 136p looked a bit grudging, it was probably because this increasingly well-managed company has such a thin following in the City. Almost all the group's activities did well in the first half, and following the sale of the insufficiently profitable road tanker business, the interest charge was also well down. The end to the miners' strike was, on balance, positive although a better performance from solid fuel and from sales of Pozament to the mining industry were partly offset by a depressing return to normal for fuel oil. Hargreaves continues to reduce its dependence on energy, and a £1m rise in profits from the environment and construction materials division should be looked on as most encouraging. Rationalisation of the quarries is paying off, while waste disposal is moving from strength to strength. A repeat performance in the second half would mean pre-tax profits for the year of £8.6m, implying a prospective p/e of 10 (42 per cent tax). This is an unfairly large discount to the market given the continuing prospects for above average growth.

Fine Art doubles profits and expects more growth

MORE THAN doubled taxable profits of £1.06m, against £462,000, were achieved by Fine Art Developments, greetings card publisher, over the seasonally quieter six months to end-September 1985.

Turnover, says Fine Art, showed a real increase in ongoing operations from £47.64m to £55.62m resulting in a substantial rise in operating profits from £2.38m to £3.4m.

Progress continues in mail order and the directors confidently expect a material increase in group profits over last year.

Resources have been directed to developing greetings cards distribution and results to date, the company states, are most encouraging. Early Learning, which was sold in May, and contributed £18,000 (£295,000) to profits on turnover of £1.98m (£5.24m).

Earnings per 5p share improved from 0.54p to 1.07p. The interim dividend is up from 1.1p to 1.2p, leaving a retained deficit for the first half of £84,000 (£366,000).

Profits in 1984-85 reached £7.2m pre-tax on turnover, including Early Learning, of £134.79m. The final dividend was 2.1p.

● comment

There could scarcely be a better text book example of a company that makes its money in the second half than a greeting card manufacturer, and true to form Fine Art's interims give almost no clue to what the company can achieve in the full year. Although the shares eased slightly yesterday to 125p, the market apparently views the future with optimism to judge by the rise of over 40 per cent in the share price since the preliminary results in May. The company is now concentrating its investment in its High Street retail operation, and has started franchising its Giftree card shops, while last year's investment in the manufacturing side should this year be translated into profit. The disposal of Early Learning has yet to make its expected inroads into the interest charge, which actually rose during the first half, partly as a result of higher interest rates. Meanwhile, profits suffered by over £250,000 from the elimination of Early Leaning's profit contribution. Assuming a total for the year of £9m, the shares do not look cheap on a p/e of 14, after a 35 per cent tax charge.

UK COMPANY NEWS

Scapa's profits up 13% after accountancy change

Scapa Group yesterday reported a near 13 per cent interim profits rise but the result was, to some extent, flattered by an accountancy change.

A switch to using average exchange rates provided almost half of the rise in pre-tax profits to £13.09m against £11.61m, *which was downgraded from* £12.39m.

In addition, there was a two month contribution from the recent United Wire acquisition and interest from the rights issue in May.

Scapa, based in Blackburn, Lancashire, manufactures engineered fabrics and rolls for the paper making industry, felts and other specialised industrial textiles.

Sterling's strength against the dolar depressed profits from Scapa's largest source, North America, which contributed £10.03m compared with £9.68m, *or £10.59m prior to adjustment.*

UK profits, however, improved from £2.05m to £2.25m although margins were down by nearly two points on turnover ahead from £19.54m to £26.11m.

Other countries improved to £2.26m, against a slightly upgraded £1.61m, on turnover of £19.41m (£11.69m).

Group turnover amounted to £88.04m (£71.84m) and operating profits were £14.54m (£13.33m). Net interest payable fell from £1.72m to £1.45m.

Earnings per share were a little higher at 18.6p, against 18.1p, giving comfortable cover to the 4p interim dividend, up by 0.3p, for the period to end-September, 1985.

Scapa, chaired by Mr T. J. *Manners*, says *despite* difficult trading conditions, steady progress is being made in all sectors of activity.

● comment

The market has clearly been upset by Scapa Group's switch to average exchange rates. The shares dropped back 32p at one point only to recover to 393p, down 25p. The decision to switch to average rates was made in August—the group had only just cleared its full year forecast (made along with the April rights issue) as the pound ran riot among export earnings and *on the translation* of the dominant US contribution. This board level rethink must also have considered a continuing problem—that of the impact on UK margins of the strengthening pound. About half of UK turnover is sold overseas and is priced in local currencies. Adverse *currency* movements, especially in Australia and South Africa, have impacted heavily here. The US operation, however, continues to grow—it already accounts for almost 70 per cent of trading profits—and with some £1.5m expected from United Wire (acquired for £17m *in August*) in the floating half, the City should be looking for £30m pre-tax for the year. This has the shares on a prospective multiple of nine given a 42 per cent *tax charge, which is surely* on the low side for a solid niche industrial textile company.

Castings boosted by Booth purchase

Castings, the West Midlands-based malleable ironfounder, increased its profits before tax from £418,575 to £505,449 *in the* six months to September 30 from a turnover £1.53m ahead at £6.15m.

The results *this time included* the profits earned by W. H. Booth, the ironfounder acquired for cash and shares earlier this year.

All foundries of the group are busy and it is anticipated by the directors that under present conditions the results for the full year will be satisfactory.

The interim dividend is being lifted from an adjusted 0.568p to 0.8p net per 10p share. Earnings amounted to 2.85p (3.41p).

Operating profits for the opening half rose from £385,058 to £466,580. Other income amounted to £38,869, *compared* with £33,477.

Tax, calculated at 40 per cent, accounted for £202,000 (£188,300 at 45 per cent).

Production facilities at all of Castings foundries have been expanded and further production capabilities are planned for next year.

For the 1984/85 year the group returned pre-tax profits of £1.19m, against £1.07m.

Investment Co net revenue falls midway

Net revenue for the Investment *Company* for the half year to September 30 1985 was down from £280,466 to £265,141.

The directors are maintaining the interim dividend at 0.4375p *net per 25p share.* A *total of* 1.05p was paid for the year to end-March when revenue reached £509,440 (£441,445). The company has received a waiver this time in respect *of the interim,* representing a saving of £32,507.

Stated net earnings for the half year were down at 1.9p (2.02p) per share.

Total income was little changed at £464,144 (£472,153). Net revenue from ordinary activities before tax was £378,628 against £389,714.

Profits on changes of investments was lower at £127,762 compared with £300,605. The directors say that the small *decrease in the amount* of dividends and interest received was due to an unavoidable delay in finding suitable investments in today's market.

After a tax charge down from £199,430 to £151,816, the transfer to capital reserves of profits on changes of investments was £89,433 (£210,423).

Mercury Select.

Mercury Selected Market Trust *reported net available revenue* down from £110,069 to £81,712 in the year to November 28 1985. The interim dividend is 26p (35p) gross per share. It is the board's policy to distribute substantially all the company's income by way of an interim and, as a result, no final will be paid.

Fairline Boats doubles profits to £0.81m

A PARTICULARLY busy year, with excellent demand, has *been reported by* Fairline Boats, Peterborough - based boat builder, for the 12 months to end-September 1985. Pre-tax profits doubled from *£402,275* to *£806,354 on turnover 55 per cent* ahead at £9.9m against £6.4m.

Total dividends for the year amount to an increased 4.2p (2.625p) with a higher final of 2.7p (1.5p). Stated earnings per 10p share are shown doubled at 14.4p.

Mr Sam Newington, the chairman, says that there was a gratifying 100 per cent sales increase in the home market despite the poor summer, from £2.15m to £4.47m. Overseas sales accounted for £5.42m against £4.25m.

Looking ahead, he says that with very strong distributor interest in both the present range of boats as well as the new models planed for 1986/87 there is every reason to have confidence in another year of progress.

The current year has started well, and he confirms that the balance sheet remains very strong with an excellent order book.

The new factory was completed at the end of October and is now in use. The first Fairline 50 is due out of the factory at the beginning of June, and the chairman says that shareholders can look forward to an increase in output in the coming year.

After tax of £303,782 (£159,889) and dividends, retained profits emerged £195,061 ahead at £355,572.

Rowlinson little changed

PRE-TAX *profits of* Rowlinson Securities were little changed at £337,000 for the half year to September 30 1985, against £335,100 last time and the directors of this property and construction group say the full year figure is expected to be similar to last year's £769,000.

Earnings per 10p share are shown as 2.69p (2.68p) before tax and as 1.61p (1.48p) after tax. The net interim dividend is unchanged at 0.18125p—last year's total payment was 0.65p.

The directors say the rental income on industrial and commercial properties is approaching £1m per annum. But increased income in the period has been mainly offset by reduced profits in the building contracting division, in which work is being restricted until prospects improve.

Borrowings have increased to purchase and refurbish properties for resale *in the south of* England.

Turnover for the half year dropped from £4.79m to £4.41m. *Tax took a reduced £134,800* (£150,800) giving net profits ahead from £184,300 to £202,200. The interim dividend absorbs £14,100 (same).

Property & Reversionary £0.23m ahead

New lettings, rent reviews and lease renewals during the six months to September 30 1985 *enabled* Property & Reversionary Investments to increase its net rental income for the period by 17.5 per cent.

And from a 0.7p rise in earnings to 2.9p per 25p share the net interim dividend is being lifted from 1.25p to 1.5p.

Gross rental income pushed *ahead from* £1.9m to £2.25m and net income from investment properties came through £287,000 higher at £1.82m.

Pre-tax profits rose from £1.08m to £1.31m and were subject to tax of £524,000, against £487,000 previously.

Benefits of recent lettings will begin to be *reflected in the* second six months both as regards income and increased asset value.

The directors say the past six months have seen a high level of activity throughout the group. They are actively investigating opportunities for expansion and *are confident* of a successful outcome for the year.

The year to March 1985 saw group pre-tax profits rise from £1.8m to £2.56m.

COMPANY NEWS IN BRIEF

WHITECROFT has expanded its lighting division by acquiring ECS Energy Conservation Systems. Total investment is £1.22m, comprising £963,000 purchase consideration and £265,000 to finance working capital requirements. ECS made profits *of £303,000 in* the year ended September 30 1985: its net tangible assets were £560,000.

GREENE KING & SONS, as part of a joint hotel development and management venture, is to subscribe 30 per cent of the equity of a newly-formed company, *Butterfly Hotels. This company* is to develop and manage a chain of purpose-built, 2 star hotels in the UK. The initial phase of the development will be in East Anglia, and contracts will shortly be exchanged for Butterfly to construct and manage its first hotel at Kings Lynn.

VIEWPLAN, USM-quoted company, has acquired the Eurovideo group, a video hire, sales and *service organisation with its* own production company and Take 2, a post production and video editing concern. Consideration was £500,000.

CANTORS has acquired for cash Masons Furniture Holdings, which operates 12 retail furniture stores in Scotland.

ICELAND FROZEN Foods has purchased 12 specialist frozen food stores from the receiver of Orchard Market (Rettendon). The shops are located principally in south-east England. The consideration paid for the acquisition of the leasehold properties, fixtures and fittings, goodwill and stock was £949,000.

WHEWAY has agreed to purchase Holden and Hayes for £350,000, satisfied by the issue of 2,390,190 ordinary shares. These have been placed principally with institutions.

SUTER has increased its holding in **F. H. Lloyd Holdings** to 6.27m shares (26.05 per cent).

MR ROBERT MAXWELL and his Pergamon Press have bought a further 350,000 shares in Britannia Arrow, lifting their stake to 5.04 per cent of the grup, which is fighting a takeover bid from Guinness Peat.

BRITISH ASSETS Trust's agreed offer for Investors Capital Trust, the Edinburgh-based investment trust, has been accepted by 33.9 per cent of ICT shareholders. Together with the 19.6 per cent British Assets already held, this brings the total to 33.05m shares, or some 53.5 per cent, and the offer has therefore become unconditional.

LOW & BONAR has extended its offer for Cole Group until December 18, after receiving acceptances covering 0.5 per cent of its shares by the first closing date. Low held about 27 per cent of Cole before *launching its* bid.

FIVE OAKS INVESTMENTS, property development and investment company which is 30 per cent owned by British Car Auction Group, is to be chaired by Mr David Wickins, also chairman of BCA. He is joining the board in a non-executive capacity together with another BCA director Mr Hugh Holland, and denied that BCA would ultimately launch a full scale takeover bid for Five Oaks.

MOLINS: IEP is the owner of 2.9m ordinary shares in the company (9.89 per cent).

Edbro (Holdings), engineer, is lifting its interim dividend from 2p to 2.5p net. Profit for the half year ended September 30 *1985 came to £1.1m, compared* with £1m, and the directors are looking for an improvement on this for the second half.

Sales reached £10m (£9.2m) and trading profits £1.2m (£1.1m). After tax £100,000 (same), earnings per share are shown at 12p (11p).

Profit for the year ended March 31 1985 *was £2.2m* and the final dividend 4.5p.

BANK RETURN

BANKING DEPARTMENT

	Wednesday December 4, 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	700,272,465	— 299,785,438
Bankers Deposits	768,227,072	— 28,982,180
Reserve and other Accounts	1,425,161,749	— 258,580,841
	2,908,214,286	— 587,348,459
ASSETS		
Government Securities	523,022,771	— 2,985,000
Advance & other Accounts	630,192,984	— 149,377,534
Premises Equipment & other Secs.	1,761,206,613	— 429,057,448
Notes	3,378,919	— 5,937,526
Coin	410,999	+ 9,049
	2,908,214,286	— 587,348,459

ISSUE DEPARTMENT

LIABILITIES	£	£
Notes in circulation	12,406,621,081	+ 255,937,526
Notes in Banking Department	3,378,919	— 5,937,526
	12,410,000,000	+ 250,000,000
ASSETS		
Government Debt.	11,015,100	—
Other Government Securities	876,736,086	+ 13,677,197
Other Securities	11,522,248,814	+ 236,322,803
	12,410,000,000	+ 250,000,000

FINANCIAL TIMES SURVEY
Friday December 6 1985

Semiconductor Industry

Deep recession and plunging sales have left chipmakers battling for markets and raised the spectre of US protectionism. Casualties are likely to occur before the industry pulls itself back on the rails of long-term growth

Roller-coaster derailed

THE SEMICONDUCTOR industry roller-coaster derailed this year. Even the volatile market-swings of the past several years seemed moderate compared to this year's free-fall slump. As the worst year in industry history draws to an end, chip-makers believe they may have reached the bottom of the market recession grade, but few have the stomach to predict any short-term improvement.

With world-wide sales down by an unprecedented 17 per cent, chipmakers have spent most of 1985 holding on for dear life, aiming for survival rather than growth and bracing themselves for the next market turn.

By Louise Kehoe

In the US, sales have declined by an estimated 29 per cent this year, according to the Semi-conductor Industry Association, a US industry trade group. Japan is down by about 6.4 per cent and in Europe the market has shrunk by about 5 per cent.

Causes of the semi-conductor recession are complex. Initially, it was a shake-out in the personal computer industry that pushed the chip-makers over the edge. This was, however, quickly followed by the realisation that virtually all the chip-makers customers were holding big stocks of unused parts, accumulated to protect themselves from boom-time shortages.

Industry estimates suggest that at the start of 1985 about $2.5bn of excess chips existed among electronic equipment manufacturers in the US alone. The situation went from bad to worse as the computer industry—the chip-makers' main customer—went into its own decline.

Nowhere has the industry depression been more keenly felt than in Silicon Valley, the birthplace of the chip industry. Job losses throughout the US semi-conductor industry this year have totalled more than 54,000, about 19 per cent of the workforce. Most companies are either working part-time or paring salaries.

Far more quietly, Japanese chip-makers have also been reducing workforces. Toshiba let 2,000 workers go, and overall the Japanese semi-conductor makers are estimated to have cut about 5 per cent of their workers, according to Dataquest, a US market research group. Privately, the big Japanese companies admit that they have been operating their semi-conductor divisions at a loss since mid-year.

When all market conditions improve? Already there are some signs that the recession has bottomed out. The industry's key indicator, the "book-to-bill ratio" a measure of the number of chip orders placed versus the number of chips delivered to customers, has been edging upward.

In October, the ratio reached 0.82, a 12-month high. Average monthly orders for the three-month period ending in October were up 8 per cent from the same figure for September, but down 336 per cent from one year ago.

The October data points to a "modest upturn in business in the near term," suggests Mr Thomas Hinkelman, president of the SIA.

"There is evidence, however, that a US market recovery has begun," he adds.

The SIA predicts an 18 per cent growth in the world market next year. Others consider the SIA forecast far too optimistic. US market research groups expect either modest growth or a small decline in sales next year, with forecasts ranging from plus 15 per cent to minus 2½ per cent. The actual growth rate will depend largely upon general economic conditions in the US—the largest semi-conductor market—and, to a lesser extent, to those in Japan and Europe. Given current economic trends, a 10 per cent growth in the US market seems reasonable for 1986, with others growing more slowly.

One thing is clear. The industry's problems are far from over. The average selling price for a semiconductor product has plummeted 19 per cent this year, according to Integrated Circuit Engineering, a US market research group. In some product categories such as memory chips, the decline has been far more dramatic. The 64K dynamic random access memory chips, for example, cost about $3.50 a year ago and now go for as little as 30 cents.

While orders may begin to pick up, therefore, it will be some time before the chip-makers regain their profitability. In the meantime, there may be further victims of the semi-conductor industry recession, says Mr Gordon Moore, chairman of Intel.

"There will be mergers, acquisitions and bankruptcies before the industry recovers," he predicts.

Other changes in the structure of the semiconductor industry, especially in the US, are also becoming evident. The era of the all-purpose semiconductor manufacturer is coming to an end, Intel believes.

"Manufacturers must decide whether they want to be low-cost, high-volume manufacturers of commodities or suppliers of high value-added products," says Mr Jack Carsten, Intel senior vice president.

Strategic alliances among companies will be an important help in implementing a chosen strategy, Mr Carsten says. "Alliances enable companies to share R&D costs, set architectural and other standards and to optimise costs," he says.

Intel has chosen the high value-added route. "We recently dropped out of the dynamic random access memory business, a market that we virtually owned 10 years ago," Mr Carsten says.

Instead, Intel will focus on microprocessors, application specific integrated circuits (Asics) and the like. Other US semiconductor companies are moving in similar directions.

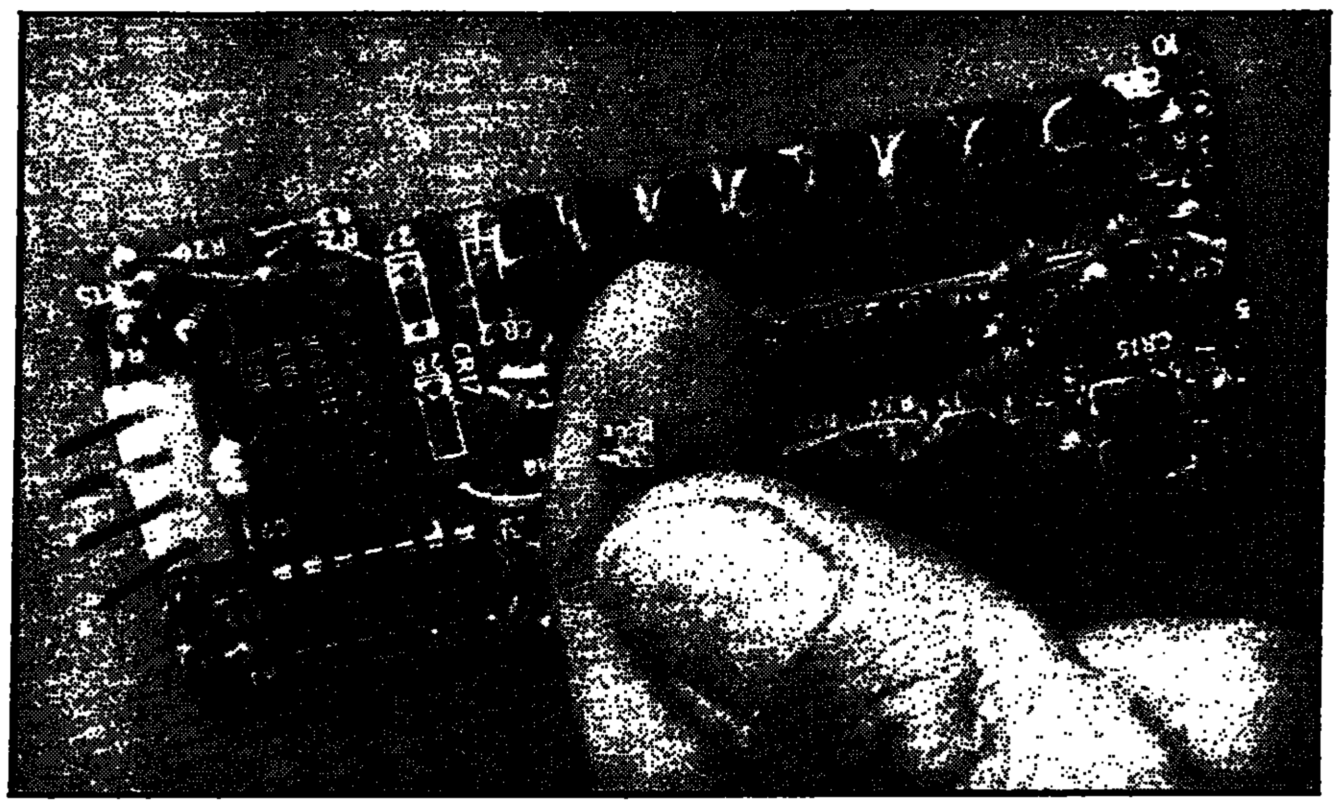
In Japan, the high-volume, low-cost commodity product strategy has worked well. Now however, Japanese chip makers are also targeting micros and Asics. This collision course will mean further trade friction between the US and Japan and can only make US companies more determined to counteract what they maintain are "unfair trade practices" by their Japanese competitors.

However, all chip makers need a new market boost. That could come from the digitalisation of the telephone network. According to industry estimates, the total available market for semi-conductors in the telecommunications field was approximately $1bn in 1984.

Once standards are established for the integrated services digital network, which will deliver voice, data, text and image to subscribers, chip-makers stand to gain a high-growth market.

Other possible booms for chip-makers lie in consumer electronics. Just as video games and home computers have boosted the chip-makers out of slumps, so compact disk players or perhaps solid state filmless cameras could help them to regain momentum soon.

Long term, the semi-conductor market is expected to continue to grow at a healthy 21 per cent annual rate through the rest of the decade. Through 1985, however, it has been hard to believe that the chip-makers could ever get back on track.



Top 10 Semi-conductor Sales

Ranking 1984	Ranking 1985		Sales $m†
2	1	NEC	1,950
1	2	Tex Inst	1,815
4	3	Hitachi	1,750
3	4	Motorola	1,650
5	5	Toshiba	1,370
8	6	Fujitsu	950
7	7	Intel	900
6	8	National	890
10	9	Matsushita	870
9	10	Philips*	850

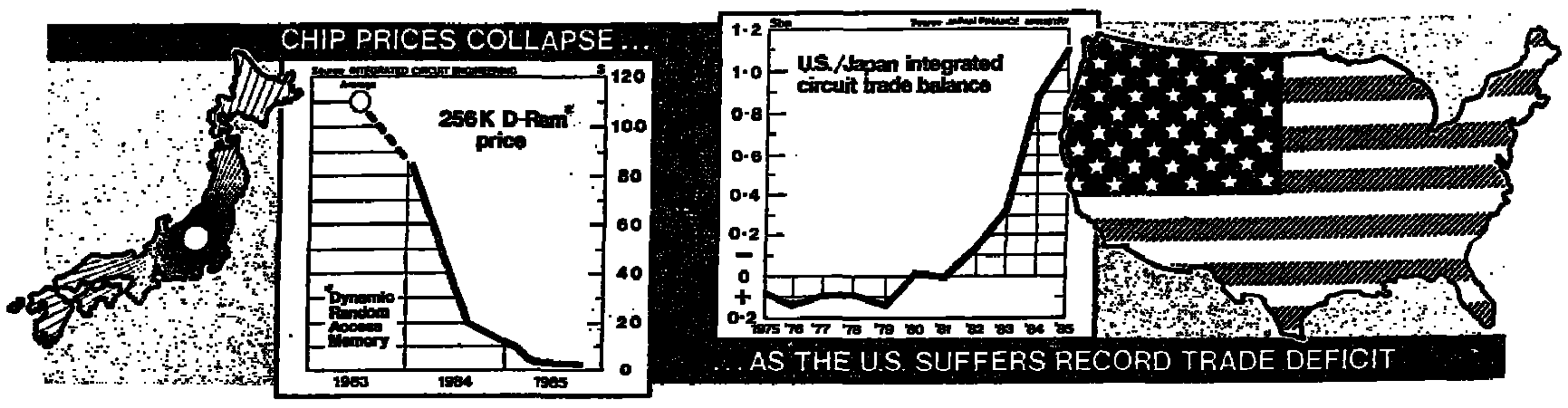
* Includes Signetics
† Forecast for 1985
Source: Integrated Circuit Engineering

● SEMICONDUCTORS are becoming smaller but ever more powerful. Pictured, left, perched on a finger tip is a high-voltage integrated circuit from General Electric, New York. The chip measures just a tenth of an inch across, yet it equals the capabilities of the 1½ and 3½ inch circuit below it. This miniaturisation brings about significant reductions in cost, along with improved reliability.

US chipmakers fear extinction in Japan trade war

Trade

LOUISE KEHOE



THERE is a growing impatience among U.S. chip makers concerning their trade imbalance with Japan.

"Protectionism beats extinction any day," said Mr Charles E. Sporck, president of National Semiconductor, one of the largest U.S. semiconductor chip manufacturers.

"In the long run protectionism is a very bad form of trade practice. In the short term it is useful to guarantee survival and I want to stay in this game."

His remarks, made to an audience of about 800 semiconductor industry representatives in Silicon Valley last month, echo the current mood in the industry, now enduring its worst-ever recession.

Feelings are running high. Even the strongest proponents of "free trade" are looking for government intervention to solve the industry's problems. They remain fearful, however, of the long-term implications of tariffs, quotas and other protectionist measures.

"We've been working on this problem since 1977," Dr Robert Noyce, vice-chairman and co-founder of Intel, points out. "We have spent a disproportionate amount of time and treasure trying to figure out how to ward off a trade war with Japan while preserving our viability."

Dr Noyce, the inventor of the integrated circuit "ship," was among the industry leaders who formed the Semiconductor Industry Association trade group in 1977 primarily to tackle Japanese trade issues.

Since then the group has won several victories; in 1981 a bilateral agreement to reduce import tariffs; in 1983 a commitment on the part of the Japanese to increase semiconductor imports; in 1984, the elimination of tariffs and the creation of a trade monitoring system.

Even so, the worries continue. "I really feel that we have made no progress in addressing the problem," says Mr Sporck. "This country must decide whether it wants to have an agricultural economy or an industrial economy. What we are seeing is the deterioration of our industrial base."

The US semiconductor industry leaders have long complained about Japanese "unfair trade practices." Recently, however, their tone has become more strident.

Access

As they see it, this is a do-or-die situation. Either they, or the US Government, finds some remedy to the Japanese trade problem or the companies that created the world semiconductor industry will be relegated to the role of chip designers—no longer playing a principal part in the manufacture of semiconductor devices.

Concurrently, the chip makers point out, the U.S. will become reliant upon foreign suppliers for its most strategically significant technology and supplies and U.S. computer and electronics systems companies would be the first to suffer.

There is no way the U.S. semiconductor industry can compete with Japan on its "unfair" terms, says Mr Sporck. "In the long term U.S. industry will be wiped out. We, in the semiconductor industry, may get wiped out earlier because we are more severely targeted. There is no salvation unless the formula changes."

Specifically, U.S. chip makers seek greater access to the $8bn Japanese market. They complain that their 11 per cent share in Japan has not grown significantly over the past decade and argue that if the Japanese market were opened to them they could expect to achieve a penetration closer to that which they enjoy in Europe —about 55 per cent.

The problem, say the U.S. firms, lies in non-tariff trade barriers. In a "301" trade complaint filed last June, they claim that Japanese electronics companies buy primarily from each other, relegating U.S. manufacturers to the position of residual suppliers, allowing them to provide parts during periods of scarcity or those parts not yet produced by the Japanese.

"A small number of major Japanese companies dominate their country's market for semiconductors, such as those used in consumer electronics, telecommunicatoins, and industrial products. These major Japanese producer-consumers are procuring semiconductors primarily from each other rather than on the basis of competitive merit," says Mr Gary Tooker, executive vice president of Motorola.

The industry is asking President Reagan to adopt as policy objectives a dramatic improvement in U.S. semiconductor exports to Japan and the prevention of Japanese dumping of semiconductors in the U.S. market.

The complaint has "received *widespread support in the* Administration and in Congress," the trade association claims. But it is not getting enough attention, industry leaders fear. "I am not optimistic that it will solve anything," says Dr Noyce of Intel.

In October three of the leading U.S. chip makers tried another tack, filing an anti-dumping complaint against Japanese competitors. This action is motivated by the industry's greatest fear—a cascade of Japanese chips descending on the U.S.

Already Japanese suppliers have gained a controlling share in the $5bn dynamic random access memory chip market. Now, say the U.S. producers, they are "targeting" another product sector — erasable programmable read-only memories. The Americans accuse the Japanese of driving down prices to gain market share.

Investing

This second bid for the attention of Washington law-makers demonstrates the underlying *protectionist sentiment now* rising within the industry. It has grown out of the fear that Japanese companies are building up their production capacity to mount a powerful attack on the US market.

"Dumping results when foreign producers engage in excessive capacity expansion," says the SIA president, Mr Thomas Hinkelman. "The major check against such expansion is market risk, but Japan has reduced that risk substantially by protecting its domestic base," he says.

"The Japanese industry has been investing far in excess of the historic semiconductor demand growth rate," Mr Hinkelman claims. In 1982-83, a massive Japanese build-up of memory chip production capacity coincided with a recession in demand, he recalls.

The result was an extraordinary surge of Japanese exports, the collapse of prices and heavy operating losses for UC companies.

"A new Japanese expansion effort is now under way which is much larger," the SIA petition claims. "Japanese concerns are increasing their investment levels despite stagnant world demand, mounting fears of over-capacity and indications that a price collapse may be imminent."

The predicament of the U.S. semiconductor industry is made more critical by the current severe downturn in sales. All US chip makers have been forced to lay off workers, operate short working weeks or cut salaries. Industry losses are mounting and prices have been decimated by slack demand.

Forced to cut back on their own capacity expansion plans, the US companies will be more vulnerable than ever to Japanese competition when demand turns up.

Suffer

Japanese semiconductor makers, as expected, deny any intention of "dumping," targeting" or "buying market share" in the US market. They also say that US chip makers would do better in the Japanese market if only they "sold better products, offered a better service, delivered their products on time . . ."

Mr Daikichiro Morishima, recently appointed general manager of Hitachi's semiconductor sales company in the US, said recently: "My policy is to coexist with US manufacturers. We think the semiconductor industry will grow very fast in the future and we are going to participate in that growth.

"Today, the market is very difficult, but when Intel suffers we suffer. We are not immune to the industry's problems. Hitachi's semiconductor sales in the US are well below target. Our profits are like those of US manufacturers."

But the issues in this long-*running* trade dispute are not really as simple as either side would suggest and deeply-felt distrust on both sides agravates the situation.

The Americans believe that the Japanese have cheated, copied their products and stolen their technology. The Japanese claim that their trade rules are as valid as any others, that they are better manufacturers and that they simply try harder.

Taking a broader view of the issues, Dr Noyce suggests that the chip makers' problems have more to do with the state of the U.S. economy than with silicon chips. "I don't believe that (Japanese) unfair practices have escalated enough in the past five years to account for the mounting trade deficit, although the incidents of complaints under our trade laws has been increasing," he says.

Instead, Dr Noyce puts the blame for the trade deficit on the high value of the dollar and the low U.S. savings rate. He says: "The trade deficit has caused a massive loss of jobs from the US to those nations willing to save and lend our dollars back to U.S. In effect, we are trading our capital for VCRs and Toyotas. We are transferring our wealth from our own people to those who are willing to save by buying their goods and then borrowing back the money we have spent."

Deep recession brings industry to its knees

The US

LOUISE KEHOE

THE CRUDE oil of the '80s—or the steel of the '90s?

The U.S. semiconductor industry has often claimed the role of the "oil producer" — the supplier of the fundamental "fuel" that drives the economy. Today, however, it is more akin to a depressed smoke stack industry, bullied by foreign competition and starved by a barren marketplace.

Factory closures, layoffs, pay cuts and short work weeks are the news of the day among U.S. chip-makers. *This is a recession* like *no* other the industry has ever seen—nor could imagine.

● **Texas Instruments**, the largest US semiconductor manufacturer, has been brought to its knees by heavy losses in its semiconductor group. The company reported losses of $83m for the third quarter compared to net profits of $86m in the same quarter last year. The company took a $64m charge for the closure of two semiconductor plants and one computer manufacturing plant.

Revenues for the first nine months of 1985 were down 12 per cent. With another 2,200 layoffs announced this month, TI has reduced its workforce by over 7,000 people this year — most of them associated with semiconductor production. Capital spending was also trimmed. TI has, however, recently completed two new wafer fabrication plants.

Although Texas Instruments claims "major progress" in concentrating its semiconductor product lines upon the fastest growth product areas, the company is still heavily involved in the commodity memory business where prices have been destroyed by over-capacity and intense competition. Although demand for memory devices continues to grow, profitability is very difficult for U.S. manufacturers to achieve.

On the brighter side, Texas Instruments has a major new opportunity with its announcement of the chip set that implements IBM's new local area network. The company has also begun to offer samples of its one megabit dynamic random access memory chip. In the laboratory, Texas Instruments fabricated what are believed to be the first four megabit drams in the industry.

● **Motorola**, the second kingpin in U.S. semiconductor leadership is in even worse shape. The company has reported losses of $39m for the third quarter compared to net profits of $126m in the same quarter last year. Sales revenues were flat at $1.3bn.

Motorola provided a ray of hope for the future by saying that its order rates were improving in some product areas, but that was little consolation for the current poor performance.

● **Intel's** operating losses of $23m in the third quarter shocked industry analysts. Although the company was able to mitigate most of the losses with interest and other income it still reported its worst ever loss of $4m. Sales were down by 25 per cent. In all, Intel has laid off 1,850 workers this year. It has also had shut downs and frozen salary increases.

The company announced this month that it will drop out of the dynamic random access memory business, thus avoiding future losses in that area. Intel's strongly proprietary product lines, which generally carry higher profit margins should have given the company some protection from price declines.

Recently, however, Intel has begun an effort to increase its participation in high volume commodity product markets, moving against the trend set by other U.S. manufacturers.

Intel has suffered more than most from the declining growth of the personal computer market. As the supplier of the microprocessors and peripheral chips used in IBM and IBM-compatible personal computers, Intel benefited most from the PC explosion and is now suffering more than most.

Intel's announcement last month of a new 32-bit microprocessor will give the company a much-needed boost in morale. It is not however expected to show any short term benefits on the bottom line since it takes some time for new microprocessors to be designed into equipment.

Longer term, however, the new 386 microprocessor should be a major source of income for Intel.

● **National Semiconductor** took a beating in the third quarter with losses of over $53m. Sales dropped by 20 per cent over last year.

National cancelled plans for a new wafer fabrication plant in Oregon but has continued capital expenditures at its new CMOS wafer fab plant in Texas and Utah. The company laid off 1,700 people and has shut down for several days each quarter.

National's strategy is to decrease its dependence upon commodity chips by developing its own proprietary products. Although the company now claims that 60 per cent of its revenues come from its own designs, clearly his has not been enough to fend off the recession.

National's 32,000 32-bit microprocessor is being chosen by three out of every four new equipment designers, the company claims. National has a clear lead in this developing market, but it faces increased competition with the recent entry of Intel.

● **Advanced Micro Devices** was the fastest growing company in the industry last year. With the report of its third quarter results it has now become one of the fastest shrinking companies.

Sales were almost halved from $257m in the third quarter *of last year to only $128m in* the same period this year. A $29m operating loss was reduced to $15m by tax credits accumulated on AMD's huge research budget which now measures over 30 per cent of revenues.

AMD attributed much of its losses to the falling prices of eproms (erasible programmable read-only memories). The company has joined Intel and National Semiconductor in filing an anti-dumping suit against Japanese eprom manufacturers *charging them with driving* down eprom prices to gain market share and selling the chips in the U.S. below cost.

The problems of the "big five" have been shared by most other companies in the U.S. semiconductor industry. Some specialist semiconductor manufacturers have, however, been impacted less than the broad-based merchant suppliers. Following the niche market strategy is the best defence against the dramatic cycles of the U.S. semiconductor market, says Jon Cornell, sector executive of Harris Semiconductor.

● **Harris Semiconductor**, the tenth largest U.S. semiconductor manufacturer, is a "sector" of the defence electronics company, representing about 12 per cent of the company's revenues with sales last year of $234m *and anticipated semiconductor* sales this year of $273m. Although Harris has laid off 125 workers at its Florida semiconductor fabrication facility, the operation seems to be weathering the recessionary storm relatively unscathed.

Harris' performance has been greatly helped by its strong sales to the military which have not been affected by the commercial market recession. The company also has the advantage of spinning off technology developed for military chips into commercial products, thus lowering its research and development costs.

Harris follows a niche market strategy, based upon supplying leading edge technology to selected market segments of the government, communications, industrial and computer markets. The company has been a leader in CMOS and gallium arsenide technologies. Three quarters of Harris' business is concentrated in proprietary products or products that have no more than two competitors. This provides the company with considerable shelter from most of the industry's short-term problems.

National Semiconductor's sales fell by 20 per cent last year. Above: chips being checked at the company's plant in Santa Clara, California.

PROFILE: INTEL

BY WILLIAM ARNOLD

Nimble performer keeps out of the trenches

AS AN innovator of memory chips and microprocessors, Intel Corporation developed many of the product types that the U.S. and the world's semiconductor industries grew up on.

Intel has built up its business by developing market for new chips and then nimbly jumping on to higher-performance devices, leaving competitors to fight it out in the commodity market trenches.

But as the industry and technology have matured it has become increasingly difficult for Intel to jump ahead with ever-improved circuit designs. Its weaknesses began to show.

Although a strong leader in product design, it had not built up competitive manufacturing prowess. Now it is determined to become a "world class" manufacturer and enter the commodity market fray. Its new attitude is simply expressed. "You are either 'cost competitive' or you go out of the manufacturing business," says the senior vice president, Mr Jack Carsten.

Efficient

To be a $100m to $1bn size broad-based manufacturer running general-purchase wafer fabrication lines no longer makes sense, Intel believes. The return on investment in a $100m or more wafer fabrication plant cannot be justified by moderate volumes of low-price products.

A chipmaker must avoid making product lines of moderate capacity and concentrate either on low-volume, high-margin "niche" markets or produce high-volume commodity parts in highly efficient plants, says Mr Carsten. Intel plans to do both.

On the "niche" side of its two-pronged market attack, the company has announced its entry into the "application specific integrated circuit" (Asic) market for devices designed to customers' needs. But it is the *high-volume* commodity side of the strategy that will test Intel's mettle and determine whether it will achieve manufacturing success.

Here it will collide head-on with Japanese and Korean competitors. To be a low-cost producer, it must increase its manufacturing efficiency enough to overcome a substantial labour cost disadvantage.

Several changes are under way. Intel has set up optimised production lines for its two main *high*-volume products—erasable, programmable read-only memories (eproms or program storage chips) and microcontrollers.

"We have fine-tuned a state of the art process that is best suited to eproms and eprom-based microcontrollers, the most elastic and fastest-growing segments of our business," says Mr Craig R. Barrett, vice president in charge of the company's newest factory at Albuquerque, New Mexico.

"Fab 7," Intel's Albuquerque plant, is the key to the company's new objectives. Completed last year, it has been a serious problem, draining resources at the rate of $1m a week during the first half of 1984.

By the end of this year, however, "Fab 7" will be Intel's largest factory in terms of output, with a capacity to produce more than $200m in eproms annually. The company spent $100m on plant and equipment at Albuquerque to create what it now claims is "the best batch process known today" in the world semiconductor industry.

The problems encountered in getting the plant into operation have taught the company some expensive lessons, however. It was the first U.S. semiconductor plant to use 6-nch diameter silicon wafers, replacing the 4-inch size used ir all previous plants, and this created many problems, largely because all, the production equipment was newly designed to fit the 6-inch wafers.

"It was not surprising hat we had several difficulties with new plant, new equipment, a new process and new manufacturing team," says Mr Barrett.

Delayed

With the benefit of experience, Intel is now transferring the technology developed at Albuquerque to a smaller "Fab 8" in Israel that is to step up production this quarter. Two U.S. Fabs will also be converted to 6-inch wafers. So that more than half of Intel's fabrication capacity will be on the larger wafers by next year.

Now the company is beginning the construction of "Fab 9," a $200m plant twice the size of the present Albuqueque factory on the same site. The building will be completed this year but production will be delayed until 1987 because of the current semi-conductor market slump.

"Fab 9" will have twice the production capacity of the Albuqueque plant. Each module will make one product, though its useful life-cycle will be part of Intel's new strategy to stay with products longer than hitherto and not abandon them *when prices fall*. When the product's market life is finished the module will be turned off and another put in for a new product.

String of poor results from big companies

Japan

BORIS SEDACCA

THINGS do not look too rosy for the Japanese chipmakers, with one big company after another announcing poor financial results.

The drop in semiconductor prices pushed **Hitachi**, Japan's largest electronics company, into its first half-year profit decline for nearly a decade with pre-tax profits down 16.9 per cent in the six months to September to Y100.8bn ($467.2m) though sales were up 3 per cent to Y1,559bn.

Sales were down 4 per cent in the half year for the whole division covering semiconductors, systems and electronic devices, which accounts for 35 *per cent of Hitachi's total sales*. The company refused to disclose the profits and sales of its semiconductor business.

It did say that semiconductors had been its biggest money earner last year and that this year, semiconductor profits had been "marginal." Prices of chips had fallen by 40 per cent on average in six months.

Toshiba blamed the downturn in the worldwide semiconductor business as the main reason for its 9 per cent decrease in pre-tax profits for the same period.

Toshiba said the main trouble in semiconductors was in the erosion of prices for memory devices. These devices account for 17 per cent of Toshiba's total semiconductor sales, which declined 10 per cent overall to Y185bn from Y205bn last year.

However, the company said it would continue to invest heavily in its memory device business, both in developing new products such as the one megabit chip, and for plant improvement.

NEC, Fujitsu, Mitsubishi Electric and Oki Electric have also announced profit falls in the half-year to September, citing the slide in world semiconductor prices and the yen's sharp appreciation against the dollar as the main causes.

Pre-tax profits for **Mitsubishi** declined by 19.4 per cent. Sales by the information and communication systems and electronic devices sector fell by 13.1 per cent to account for 29.6 per cent of the total.

Oki suffered a fall of 44 per cent in pre-tax profits to Y4.21bn. Sales by the electronic devices division fell by 18 per cent, due chiefly to a 20 per cent drop in semiconductor exports to the US.

NEC was far less troubled by the prolonged semiconductor recession with pre-tax profits for the six months in line with its initial projection at Y60.08bn ($279.7m), some 13.3 per cent ahead. However, electronic devices sagged by 20.5 per cent in sales to account for 21 per cent of the total. NEC has trimmed its capital investment allocation for semiconductors by Y20bn to Y120bn for this year.

Fujitsu suffered severely as its sales have a higher proportion of memory chips. Fujitsu saw its half-year pre-tax profits fall Y5bn short of the initial projection to reach Y34.48bn, down by 36.3 per cent from the previous year. The company attributed the earnings decline—to Y15.68 a share against Y21.06—partly to lower margins on semiconductor sales.

The Pacific miracle is clearly wearing off. Now the Americans have the chance to test the popular Western assertion that the Japanese do not innovate—only copy.

IBM has run rings around them in the personal computer market, and the first IBM PC was non-innovative—the type of product Japanese manufacturers could make at bargain basement prices if they got in quick enough. But they did not.

Two of the most advanced semiconductor products in the world have been introduced by US chip-makers. Texas Instruments announced chips to link computers on an IBM local area network, and Intel became the third US company to offer 32-bit microprocessors.

The Japanese now have to catch up again, but the more experience they get in catching up, the less time they take to do so each time.

In the meantime a battle of words is raging between the US and Japanese chip producers.

In mid-November, the US Semiconductor Industry Association (SIA) told the senate labour and human resources committee that the US industry lost 54,000 jobs worldwide this year.

Mr Michael Mailbach, government affairs manager for Intel, said that employment had fallen from 280,000 jobs in December 1984 to 226,000 last month, a 19 per cent decline, compared with a fall of 5 per cent in related employment in Japan.

Motorola, the second largest US chip-maker, announced that it was withdrawing from the market for 256K dynamic random access memory (Dram) chips due to price declines brought on, claimed the company, by Japanese pricing. This leaves Texas Instruments as the sole remaining high volume US Dram producer.

Mostek was also killed by unfair Japanese competition, claimed owner United Technologies.

The trade deficit between the US and Japan in semiconductors is relatively small—only $900m in 1984. But the gap has grown six-fold since 1982 and Japanese manufacturers have steadily increased their share of the US market to about 17 per cent. US makers' 11 per cent market share in Japan has not changed in a decade.

With about 60 per cent over-capacity in world chip production, prices are bound to be weak, says Mr Tomohiro Matsumura, senior vice-president of NEC, which has just taken over as the world's leading producer.

However, the International Trade Commission (ITC) has ruled that US chip-makers has been injured by low-price Japanese shipments of "erasible programmable read-only memory" (Eprom) chips, which has fanned the flames of pro*tectionism in the US*.

Eproms and Drams represent a quarter of the $20bn semiconductor chip market. Japanese suppliers hold an 80 per cent share of the US Dram market, while US chip-makers lead in the Eprom sector.

In the past year most of the main US chip-makers — with the exception of Texas Instruments—have dropped out of the Dram market as prices fell. The US chip-makers claim that eprom prices — which have fallen from about $17 per chip in January to about $3 per chip today—have also been hit by Japanese dumping.

The preliminary ITC ruling on the eprom dumping suit filed jointly by Intel, National Semiconductor and Advanced Micro Devices, means that this case will now be investigated by the US Commerce Department.

Japanese companies argue that because US chip-makers assemble and test products abroad—*primarily in Singapore* and Malaysia—they are not US producers and cannot claim injury under anti-dumping laws.

Underlying prospects uncertain in spite of short-term growth

COMPARED WITH the bloodbath which US semiconductor manufacturers have suffered as a result of collapsing demand in their own home market in the past year, Western Erope has escaped so far with relatively light flesh wounds.

Dataquest, the American market research firm, estimates that total semiconductor consumption in Europe will fall by only 2 per cent this year to $4.7bn, against an expected 31 per cent drop in the U.S. to $9.1bn.

Furthermore, Dataquest expects Europe to outperform other major world markets next year, when a rebound from the recent deep slump is predicted. Growth in European consumption is forecast at 16 per cent, against 9.8 per cent in the U.S. and 12 per cent in Japan.

Europe

GUY DE JONQUIERES

These statistics might, at first glance, seem reassuring for European semiconductor manufacturers, many of which are involved in ambitious expansion programmes in an effort to reverse their declining share of world markets. However, the industry's underlying position and medium-term prospects are far from certain.

The relative resilience of the European market this year has been partly due to the fact that the computing industry accounts for only 25 per cent of total semiconductor demand, compared with 45 per cent in the U.S. Europe has therefore been cushioned from the full impact of the recent shakeout in personal computers and the slowdown in the market for larger machines.

However, the weakness of its indigenous computer sector also denies Europe's semiconductor suppliers an important volume market which can help provide the economies of scale needed for profitable production of "commodity" chips. Europe's only real mass-production equipment industry is consumer electronics, which is fighting an uphill battle against Far Eastern competition.

Revolution

The shortage of volume applications able to provide buoyant growth in good years partly explains why the European market for semiconductors dwindled steadily to 18 per cent of the world total last year from almost 30 per cent in the mid-1970s. European suppliers, moreover, accounted for a paltry 6.7 per cent of the world microchip market.

In the past few years, its governments and industry have belatedly recognised that unless Europe makes a much more energetic effort to win back lost ground in semiconductors, it is in danger of being left behind the rest of the industrialised world in the information technology revolution.

Since 1983, more than 30 investment programmes to build new semiconductor plants or expand existing ones have been announced by European companies. Several eye-catching projects have been launched: the boldest is the $500m Megaproject, a joint research scheme by Philips of the Netherlands and Siemens of West Germany which is intended to catch up with Japanese memory chip technology by the late 1980s.

Many of these investments are funded by European governments, which increasingly view the possession of advanced microelectronic technology and production capacity as vital to the industrial future of their countries.

The French Government is financing a FFr 1bn annual investment programme by Thomson, the state-owned electronics group, while SGS-Ates of Italy, also state-owned, is getting sizeable public support, too. The West German and Dutch governments are shouldering part of the cost of Megaproject.

Public support is justified on the grounds that European companies could not hope to get back into the microelectronics race without it. Yet even with such munificent aid from the taxpayer, commercial success looks far from guaranteed.

Europe's dash for growth coincides with a massive excess of semiconductor capacity worldwide. Furthermore, the proliferation of European "national champion" companies, often accompanied by handsome government incentives for inward investment by U.S. and Japanese semiconductor manufacturers, is creating a fragmented industry structure in which it is difficult for any suppliers to achieve economies of scale.

Increasingly fierce competition is causing a number of European companies to revise their expansion strategies. Siemens, for instance, has dropped plans to develop its own 1 megabit D-Ram, part of the original Megaproject programme. It will buy in technology from Japan's Toshiba instead.

Thomson, which had previously hoped to capture a sizeable share of the world "commodity" memory market, has shifted its focus to emphasize semi-custom chips, particularly for military applications and other niche markets.

Pioneered

Thomson's medium-term goal remains a 3 per cent share of the world market. It recently took a bold gamble to expand its international manufacturing and marketing by acquiring most of the assets of Mostek, the US microchip maker which was closed by its previous owner, United Technologies, after heavy losses.

Several other European companies, including Britain's Plessey and Ferranti, have already captured profitable niches in the semi-custom business. Ferranti can claim to have pioneered the technology, but it lost overall market leadership last year. Some critics blame its refusal to adopt the C-Mos process used by most of its competitors.

The semi-custom market, however, is looking increasingly crowded. More than 100 different companies are now involved in it, and price competition is so severe that some are offering to develop chip designs free of charge for any customer who will place production orders. Until recently, development fees accounted for the bulk of most suppliers' revenues.

Furthermore, success in the semi-custom market demands at least as much international marketing and distribution muscle as do "commodity" chips. This is one of the European industry's weakest points. Only Philips and SGS-Ates possess significant production facilities and marketing networks in the U.S.

Gaining the volume needed to compete profitably therefore seems likely to remain a major challenge for many European suppliers, unless they are prepared to make substantial investments in building up marketing and support facilities in other parts of the world.

A novel approach to this problem has emerged recently, however, in the shape of European Silicon Structures (ES2), a start-up company whose founders include Mr Robb Wilmot, chairman of Britain's ICL computer company, and Dr Robert Heikes, former head of European operations of National Semiconductor of the U.S.

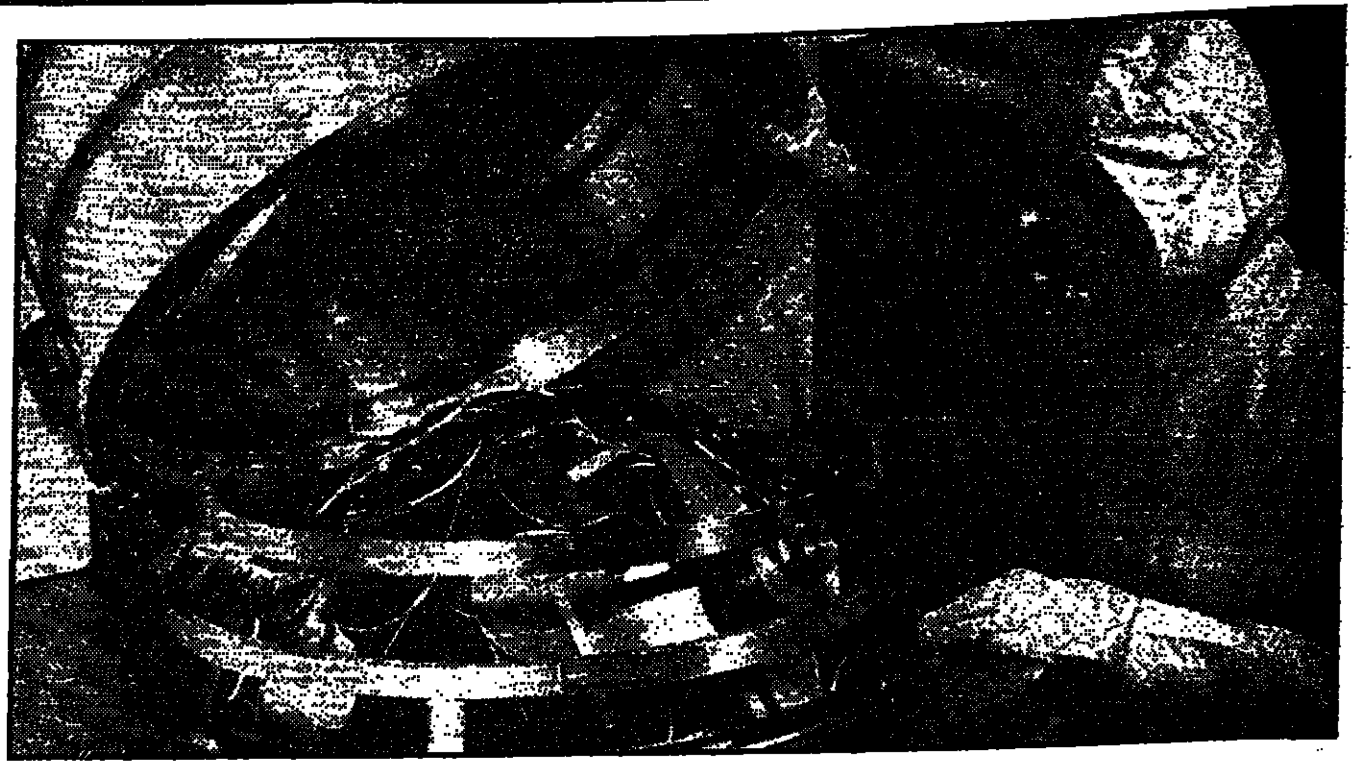
ES2 aims to make a virtue out of the peculiar characteristics of the European market by making full-custom chips in very low volumes. It claims that this can be done economically by using the latest advances in semiconductor production techniques.

Handicap

The company is also being organised on a pan-European basis. It plans to raise finance and set up operations in several different countries. This is to avoid the national ties which, Mr Wilmot believes, handicap many existing European microchip companies.

ES2 is seeking to raise $60m in financial backing. As yet, it is too early to judge its chances of success. But it faces two obvious challenges.

One is that it aims to use technology which has not yet been commercially proven, even in the U.S. The other is opposition by some established European electronics companies which are already committed to semi-custom projects of their own and fear that ES2 may grab part of their markets.



Europe's largest semiconductor manufacturing centre is the Motorola plant at East Kilbride, Scotland, above, where the company has just completed a £60m expansion programme. Motorola, the second kingpin in the US semiconductor leadership after Texas Instruments, reported losses of $39m in the US for the third quarter, but order rates are now improving.

Aggressive drive into mass markets

Korea

BORIS SEDACCA

SOUTH KOREA is making a determined bid to capture more of the international semiconductor market. Furthermore, it is no longer content merely to supply cheap labour to foreign chip-makers, or even to settle for yesterday's technology in the semiconductor sector.

This aggressive advance in the semiconductor field reflects South Korea's bid to enter mass markets in which the Japanese are already world leaders.

"The Japanese are now as worried about the Koreans as the Americans used to be worried about the Japanese," comments Mr Richard Harwood of stockbrokers Goff Layton.

Some Korean companies, such as Tatung and Samsung, are also beginning to have an impact in the world semiconductor market.

"The South Koreans are catching up on modern technology. Traditionally companies dip their toe in the water and then gradually develop, but the Koreans are developing pretty rapidly," says Mr Harwood.

In particular, the Daewoo group of South Korea is reported to be making a serious push into the semiconductors field.

Meanwhile, US chipmakers who set up manufacturing bases in the Far East to take advantage of low labour costs are under pressure.

Mostek's Kota Baru plant has reduced its staff from 3,000 to 700, and National Semiconductor phased out its Seraban plant with the loss of 1,000 jobs. Malaysia's industry is faced with rising wage costs and increasing automation, with companies such as Fairchild assembling and manufacturing in the same place.

Malaysia is also threatened by competition from Singapore, Taiwan, Hong Kong and notably South Korea whose electronics exports have doubled from $2.21bn to $4.25bn between 1981 and 1984.

The South Korean Government unveiled plans in April 1983 to foster the domestic semiconductor industry and to boost exports from $600m in 1982 to $1.5bn in 1986 and $3bn in 1990.

The Government also plans to double the number of chip manufacturers to six and to establish an integrated circuit and software design centre. In short, it is trying to achieve in five years what Japan has taken 20 years to accomplish.

Samsung, a $9bn conglomerate, producing a tenth of Korea's GNP, built a very large scale integrated circuit plant in a Seoul suburb in May 1984. Sinclair has reportedly used chips manufactured by Samsung since August last year.

Samsung took only five months from first production in August 1984 to reach an output of 6m piece parts a month by January this year.

The Hyundai group, meanwhile, plans to start mass production of 256K dynamic random access memory (Ram) chips.

Korean companies, led by Hyundai, have been trying to break into the semiconductor memory market, particularly over the past 18 months, says Mr Graham Meek of stockbrokers Wood Mackenzie.

There have been very sizeable Korean purchases of production equipment from US companies such as Applied Materials and Perkin Elmer—"the Koreans have obviously been building up the infrastructure," says Mr Meek.

Hyundai has also taken out a licence on 64K and 256K dynamic Ram designs from Inmos, the UK chipmaker originally set up under a Labour government by the National Enterprise Board.

He suggests that Hyundai is "adopting the classic strategy of firstly hitting the memory commodity market and, secondly, piggy-backing off other people's design efforts, in quite a legitimate way. This is precisely the sort of arrangement with which the Japanese came into the market a few generations back with 1K and 4K memories."

The early Korean chip producers could not claim to be at the leading edge of developments in the semiconductor area, says Mr Meek—"they have certainly not got to the prominent position that the Japanese have achieved, but they are moving up with alarming speed.

"The US position in semiconductor memory has been cut to ribbons in the last four or five years," he observes—"if you look back to 1977-78, American companies totally dominated the world market for dynamic Ram memories. Now with the current 256K generation being produced, it has been estimated the Japanese industry probably accounts for between 80 per cent and 85 per cent of world production. That is a dramatic turnaround in the space of seven or eight years."

FT COMMERCIAL LAW REPORTS

Government scheme to reimburse chemists contravenes EEC Treaty

REGINA v SECRETARY OF STATE FOR SOCIAL SERVICES, EX PARTE BOMORE MEDICAL SUPPLIES LTD

Court of Appeal (Sir John Donaldson, Master of the Rolls, Lord Justice May and Lord Justice Glidewell): November 29 1985

A GOVERNMENT scheme for reimbursing chemists under the National Health Service is unlawful if its object or effect is to reduce or exclude competition from imported drugs which have the same therapeutic value as UK drugs but have been manufactured more cheaply in other EEC countries.

The Court of Appeal so held when dismissing an appeal by the Secretary of State for Health and Social Security from a decision of Mr Justice Taylor on a motion for judicial review by Bomore Medical Supplies Ltd and Eurochem Ltd. The judge held that a decision made by the Secretary of State to alter the basis of reimbursement to chemists for dispensations under the National Health Scheme was unlawful in that it constituted a measure of equivalent effect to a quantitative restriction on imports, prohibited by Article 30 of the Treaty of the European Economic Community (EEC).

Article 30 of the EEC Treaty provides: "Quantitative restrictions on imports and all measures having equivalent effect shall . . . be prohibited between member states."

* * *

LORD JUSTICE MAY said that in 1980 to 1981 the cost to the National Health Service of prescribed drugs was nearly £900m.

From about 1981 an import trade began to develop from other EEC countries. Several traders, known as parallel importers, were able to purchase pharmaceutical products at low cost and supply them to wholesalers and retail chemists in the UK at attractive discounts.

UK manufacturers supplied wholesalers on the basis of a "drug tariff" agreed by the Department of Health and Social Security. Wholesalers paid the tariff price less a margin of 12 per cent from which they covered their costs and profits, and any discount they might allow the retail chemists. They were able to allow discount in most cases.

Until the 1970s the chemist was reimbursed the full drug tariff price.

Because it emerged that chemists were making a profit out of discounts the scheme was varied.

By the Drug Tariff 1984 the chemist received reimbursement of the tariff price less a discount calculated on a sliding scale starting at 0.46 per cent and rising to 7.96 per cent, depending on the value of prescriptions dispensed by him in a particular month.

Even then, he was usually able to make a profit out of discounts.

The average discount allowed by wholesalers on products originating in the UK was about 8 per cent. Parallel importers such as Bomore, were able to buy the same product elsewhere in the EEC at low prices and to offer much more substantial discounts to the chemist than the domestic wholesaler.

The parallel importers claimed they needed to be able to offer favourable terms to overcome the purchaser's natural tendency to prefer UK products. They suggested that the chemist required approximately 10 per cent higher discount on an imported product if it was to be preferred to the domestic equivalent.

The average discount on products offered to chemists by Bomore was 25 per cent.

The chemist who could buy imported products at such large discounts was able to retain a very considerable profit when reimbursed by the NHS on the basis of the sliding scale.

Since the cost of such reimbursement fell on the taxpayer, the Secretary of State was concerned to amend the scheme.

The amendments introduced were (1) where medicines were obtained by the chemist at an overall discount of 12 per cent of the drug tariff or less, reimbursement would continue on the sliding scale, 0.46 per cent to 7.96 per cent. (2) Where he obtained medicines at a discount of more than 12 per cent then (a) the chemist must endorse the prescription form "HD" for high discount; and (b) reimbursement would be at a discount of 20 per cent.

Since domestic drugs were offered at less than 12 per cent discount and imported drugs at more, the change hit only imported products. If a chemist bought at a discount in the "no-go" area between 12 and 20 per cent, he would inevitably do so at a loss.

Importers therefore had either to raise their prices by offering a discount of less than 12 per cent or reduce them by offering 20 per cent. They contended that if they adopted the former course they would be unable to compete with UK products. If they adopted the latter it would be impossible or very difficult to trade other than at a loss.

Bomore contended that the Secretary of State's decision to introduce the new system was in breach of article 30 of the EEC Treaty. Mr Justice Taylor held that it was in breach and was accordingly unlawful and in breach of statutory duty.

On the present appeal the Secretary of State contended that the decision and the scheme it created fell within exceptions to the Article, which had been developed by the European Court of Justice in a number of decisions. Bomore argued that the decision and scheme could not be brought within the exceptions.

In *Cullett [1985] 2 CMLR 524; 541* the court said that state systems for price regulation might produce an effect equivalent to quantitative restriction "if prices are at such a level that imported products would be adversely affected by comparison with identical national products either because they could not be sold profitably or because the competitive advantage resulting from lower cost prices would be neutralised."

However, from time to time the court, when striking down measures as contravening Article 30, had set out circumstances which could lead to exceptions.

Two cases in which that had occurred and on which the Secretary of State relied were *Rewe-Zentral [1979] ECR 649* and *Duphar [1984] ECR 523*.

In *Rewe* the court said that obstacles to movement in the EEC resulting from disparities between national laws relating to marketing might be recognised as necessary to satisfy mandatory requirements relating to, *inter alia*, the protection of public health.

It reiterated, however, that the requirement of free movement of goods within the Community constituted one of its fundamental rules.

In *Duphar* the court said that to conform with the Treaty, legislation to keep down the cost of drugs under a national health scheme "must be free of any discrimination to the detriment of imported medicinal preparations."

The court held that the exclusion within the framework of a national health scheme of specifically named drugs was "compatible with Article 30 . . . if the determination of the excluded medicinal preparations involved no discrimination regarding the origin of the products and is carried out on the basis of objective and verifiable criteria . . ."

In the light of that decision the new system in the present case involved a contravention of Article 30.

At the very least, in so far as prices of imported drugs would put them into the "no-go" area, the scheme prevented parallel importers from taking advantage of their competitive position.

Thus the new system seemed clearly to be a measure having at least an equivalent effect to a quantitative restriction on imports. It discriminated against imported drugs in general even outside the "no-go" area, as in truth it was intended to do, albeit with the laudable intention of obtaining for the taxpayer rather than the individual chemist as much as was practicable of the benefit of the lower prices of imported drugs.

The Secretary of State could not draw comfort from *Duphar*. It might be that the criteria by which the excluded or disadvantaged drugs were determined were objective and verifiable. Nevertheless, it was clear on the facts that they did involve patent discrimination regarding the origin of the products.

Any scheme whose object, let alone effect, was to reduce the competitiveness of cheaper imported drugs in the UK must be in breach of Article 30, and was unassisted by *Duphar*.

There was a vital distinction between the scheme in *Duphar*, and the present scheme. The former sought to exclude more expensive drugs where cheaper ones, having the same therapeutic value and effect, were available. The latter sought to prevent chemists, and thus the taxpayer, from taking advantage of cheaper, imported drugs.

The appeal should be dismissed.

Sir John Donaldson and Lord Justice Glidewell agreed.

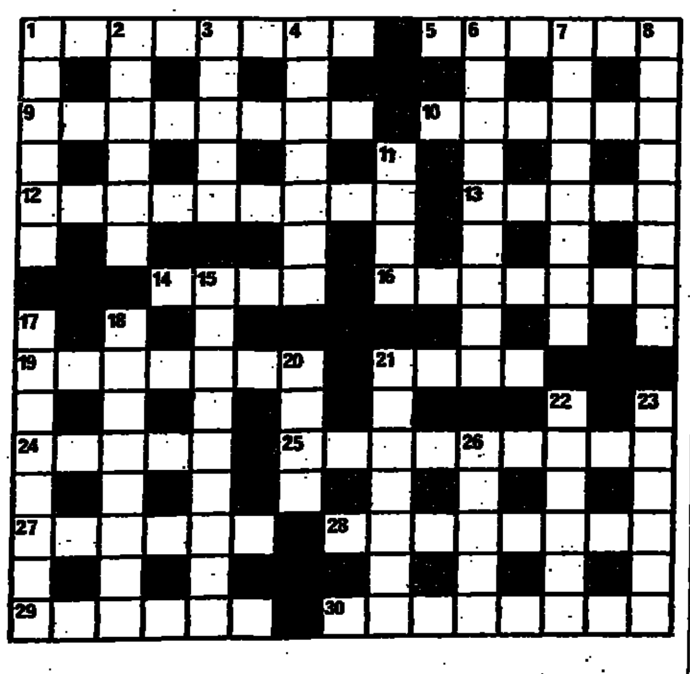
For Bomore and Eurochem: David Vaughan QC and Gerald Barling (S. J. Berwin and Co.).

For the Government: Robert Carnwath QC and Nicholas Paines (Treasury Solicitor).

By Rachel Davies
Barrister

In *Inland Revenue v Mobil, FT December 3* counsel for the Revenue were Christopher Clarke QC and Robert Carnwath QC.

FT CROSSWORD PUZZLE No 5,892



Each across solution is one of two which are identical except for the first letter: their clues, which are of the definition type, are to both of these. The down solutions will decide which of the two is the correct one, in all but five cases: the first letters of these five could form the word SCAMP.

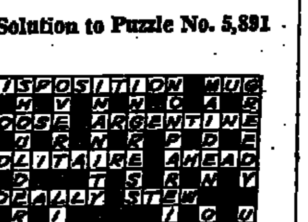
ACROSS

1 Peals issue (8)
5 Runs after stages (6)
9 Pieces of drapery—they go with checks (8)
10 Land in the environment (6)
12 Slogan (9)
13 Cast tamed in play (5)
14 Rough sound of engine (4)
16 Like the time of roses—Masquerade (7)
19 American bird, the runner (7)
21 Get through crowd (4)
24 Head pincher (5)
25 Finish sprout (9)
27 Immature fat (6)
28 Threatening member of government (8)
29 Part of county to be shunted into? (6)
30 Inflict pain on lady (8)

DOWN

1 Gadget used to unfreeze, about a volt (6)
2 Posh river, unlike the Lark! (2, 4)
3 Intuition to back? (5)
4 O for a general upheaval in the near future! (3, 4)
6 Austerity for Dickens was rough paper (4, 5)
7 Country gentleman, entertaining right and left, becomes a hoarder (8)
8 Obliquely speaks about one lot of drops (8)
11 A mother for the only man without one? (4)
15 Pretentious, like the lark? (4-5)
17 Flower—carnation, privatised?—likely to have collisions (5, 3)
18 Let Ted in, maybe, having the right name? (8)
20 Ceremony that sounds correct (4)
21 Cocktail—swallow one! (7)
22 British leader a premier without end? This means a fight! (6)
23 Suit for man with music etc. (6)
26 Fool gives one old penny back to one (5)

Solution to Puzzle No. 5,891



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE — Dlg. 01-236 3885

International Growth	100.5	106.3	+0.9	1.30
Income & Growth	46.3	49.3	-0.2	2.8
Special Situations	58.1	61.4	+0.9	1.20
American Growth	27.6	29.4	+0.3	1.50
Japan Growth	34.1	36.3	+0.3	—
European Growth	43.5	46.5	+0.7	2.50
UK Growth	44.5	47.6		1.4
Pacific Growth	31.5	33.6	+0.2	2.0
High Income	30.0	32.0	-0.2	7.6
Practical Income Units	43.8	46.6	—	2.70
Practical Accum. Units	78.8	83.9	—	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB — 01-405 8441

Pearl Growth Fd.	68.9	73.3	-0.7	2.91
Accum Units	101.9	108.4	-0.9	2.91
Pearl Inc.	95.9	102.0	-1.6	4.84
Pearl Unit Tst.	101.0	107.4	-1.3	3.84
(Accum. Units)	172.9	183.9	-2.2	3.84

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames — 0491 576868

International Growth	204.4	219.4	+1.0	1.47
Income	149.6	160.2	-1.9	5.46
Worldwide Recovery	116.2	124.7	+0.2	2.19
American Growth	58.4	62.7	+1.4	1.10
Intl. Emerging Cos.	61.9	66.5	+0.4	0.75
Far East Growth Fd.	50.6	54.3	+0.4	1.19

Prolific Unit Trusts
222 Bishopsgate, London EC2 — 01-247 7544/7

Prolific American Inc.	48.7	51.8	+0.6	5.17
Prolific Far East	108.6	115.5	+0.4	0.34
Prolific Extra Inc.	67.5	71.6	-0.5	5.64
Prolific Convert & Gil	83.6	88.7	-0.7	7.10
Prolific High Inc	142.3	150.9	-1.1	4.86
Prolific Intl.	88.0	93.6	+0.7	1.15
Prolific N. Amer.	116.4	123.8	+1.9	2.51
Prolific Spec. Sits	158.0	167.6	-1.1	1.42
Prolific Technology	101.5	108.0	+2.7	0.67

Providence Capital Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG — 01-749 9111

Japan Inc.	51.5	54.6	....	0.20
Japan Acc.	51.7	54.8	+0.1	0.20
Worldwide Inc.	52.9	56.0	+0.4	1.85
Worldwide Acc.	53.3	56.5	+0.3	1.85
European Tst Inc	62.1	65.8	+0.7	1.17
European Tst Acc.	62.3	66.0	+0.7	1.17
North American Inc.	48.6	51.5	+1.0	2.06
North American Acc.	48.6	51.5	+1.0	2.06
UK Equity Inc.	54.2	57.4	-0.8	2.94
UK Equity Acc.	55.5	58.8	-0.8	2.94

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks — 0732 450161

Equity Dist.*	239.6	253.5	—	3.78
Equity Acc.*	288.9	305.7	—	3.78
Fixed Int. Dist.†	116.0	120.2	....	11.25
Fixed Int. Acc.†	170.2	176.3	—	11.25

*Prices on Dec 2. Next dealing Dec 11
†Prices on Dec 4. Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 — Dealings to 0264 63432-3

TSB American	95.0	101.1	+1.3	1.29
Do. Accum	98.9	105.3	+1.4	1.29
TSB Extra Income	89.1	94.8	-0.8	6.02
Do. Accum	102.5	109.1	-1.0	6.02
TSB General	134.6	143.2	-2.2	3.07
Do. Accum.	216.5	230.4	-3.5	3.07
TSB Gilt & Fxd Int.	47.0	49.0	-0.1	9.03
Do. Accum.	59.0	61.5	-0.1	9.03
TSB Income	176.3	187.6	-2.6	4.78
Do. Accum.	270.7	288.0	-4.0	4.78
TSB Pacific	106.5	113.5	+0.6	0.62
Do. Accum.	109.2	116.2	+0.6	0.62
TSB International	237.0	252.2	+1.9	1.98
Do. Accum.	290.9	309.5	+2.3	1.98
TSB Natural Resources	41.6	44.3	+0.3	1.92
Do. Accum	42.4	45.2	+0.3	1.92
TSB Spcl. Opps.	49.0	52.2	-0.4	2.23
Do. Accum.	53.3	56.8	-0.4	2.23

3i & Target Fund Mgrs Ltd
2 St Mary Axe, London EC3A 8BP — 01-928 3356

Small Co's Fund	65.3	69.4	+0.8	0.10

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks — (0296) 5941

American Eagle	67.3	72.0	+2.3	0.40
Australia	27.3	29.1	+0.3	0.10
Commodity	75.2	80.9	+0.1	2.87
Energy	37.4	40.0	-	2.56
Equity	105.3	112.6	..	3.29
European Spec. Sits.	67.1	71.8	+0.5	0.62
Extra Income	96.4	103.1	-1.0	7.00
Financial	217.5	232.0	-1.1	2.19
Gilt Income	98.7	103.3	-0.4	8.67
Gold Income	51.0	54.5	-1.1	2.29
Gold Acc.	92.9	99.4	-1.9	2.29
Income	65.5	70.4	...	5.85
Japan	50.1	53.4	[illegible]	0.10

INSURANCES

Allied Dunbar Assurance Plc

Confederation Life Insurance Co

General Portfolio Life Ins. Plc

Legal & General (UA)—Contd.

Manufacturers Life Insurance Co (UK)

Property Growth Assur Co Ltd

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

compounded annual rate. Int Cr. frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit. Telecom	17	TI	35
Brown (J.)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons.	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs.	26
Gen Electric	14	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit Oil & Min.	3½
GKN	20	Brit Petroleum	45
Hanson Tst.	18	Burmah Oil	27
Hawker Sidd.	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	55
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

China faces fall in grain output

BY ROBERT THOMSON IN PEKING

CHINA'S grain production has fallen significantly this year, despite confident Government predictions that crop size would be unaffected by adverse weather and changes in agricultural policies, and would be the second largest on record.

The Government has this week revised its projections and expects output to be about the fourth largest, falling from last year's record of 407m tonnes to what US observers expect will be a total haul of 390m tonnes, well down on the target figure of 405m tonnes.

Grain is a sensitive political issue in China, with the great helmsman, Mao Tse-Tung, firmly believing that his country would be able to withstand disaster and invasion as long as it was self-sufficient in grain.

Concerns about falling grain output were raised at a special Communist party conference in September, when a senior Politburo member, Chen Yun, noted for his reservations about the economic reform programme, warned that agricultural reforms had turned farmers away from growing grain.

Mr Chen said many farmers concentrate on sideline industries—television assembly, brick production, and shoe-making among them—which are more lucrative: "Some peasants are no longer interested in growing grain. They are not even interested in raising pigs and vegetables because in their opinion there can be no prosperity without engaging in industry."

He warned that high output must be maintained, and suggested that grain shortages will lead to "social disorder." While the slump this year will not lead to severe shortages, Mr Chen and his conservative fellow travellers see disturbing trends.

The agricultural reforms, which include encouraging peasants to fill industrial gaps, rationalising grain production, and giving individual farmers more autonomy, have made output more unpredictable in a society raised on a rigid quota system.

For the government, achieving a balance is a delicate process, as too large a grain harvest will result in much spoiling, as happened last year, due to insufficient storage facilities and a strained transport system incapable of taking a further load.

Agricultural reforms have led to less land being sown with grain, and a fall in the number of people working on the land

The government has reduced the amount of pre-harvest contracted grain from 117m tonnes last year to 75m tonnes this year, with state and private spot purchases taking up the bulk of production. As a back-up the government set a floor price for about 25m metric tons.

If prices are too high, unwanted over production will result, and the government will be faced with additional subsidy expenses to keep costs low for the consumer. If prices are too low, more farmers will turn industrialist. In most Chinese cities food price subsidies have been removed on many items, forcing prices to reflect more accurately the cost of production, but subsidies on grain have stayed in place.

The agricultural reforms have led to less land being sown with grain, and a fall in the number of people working on the land. The government estimates that of the country's 400m rural labourers, 100m are not needed on the land. The surplus labour will be directed into industrial or service jobs.

This year, according to the Ministry of Agriculture, animal husbandry, and fishery, grain sown area fell by 2.5m hectares on 1984, with cash crops such as tobacco and watermelon taking up much of the extra space.

Weather has been adverse, floods affected China's "bread basket" in the north east, where three provinces, Jilin, Heilongjiang and Liaoning, reported crop output falls of 20 to 30 per cent on last year. Drought and typhoons hit other areas.

Before the admission that production had fallen, Chinese authorities boasted that the country would be a net grain exporter this year for the first time. Whether that prediction still stands is yet to be seen.

China has found a market for its grain in Japan, where it has eaten into US exports and, Japanese officials say, could eventually pick up 20 per cent of the market. China is also exporting grain to South Korea, with which it does not have diplomatic relations.

However, China, which is expected to have a wheat crop this year of between 80m and 90m tonnes after last year's 87.68m tonnes, still imported 10m tonnes of wheat last year, and diplomats estimate the amount this year will slightly more than half that.

Australia has secured guarantees of sales this year of 1.8m tonnes, while the US, which has had a long term export contract unfulfilled in recent years, sold about 3m tonnes in the 12 months to July his year.

During a recent visit here, Mr John Dawkins the Australian Trade Minister, said he received a "clear statement" from Chinese officials that Australia will continue to be a major supplier of wheat in coming years.

The rationalisation of rural production should see wheat imports by China rise in coming years, diplomats say, as the taste for wheat products is growing in traditionally rice-oriented southern China, while excess production in the north will be aimed at export markets in northern Asia.

Nevertheless, Mr Chen Yun and like-minded members of the senior ranks of the Communist party continue to see worrying signs in the present developments. A few weeks ago, an article in the "Wuxi Daily," based near Shanghai, said the Chinese have "suffered enough grain shortages in the past" and "on no account should they suffer an more."

After berating farmers for leaving the land, the article concluded: "In this world nothing is more important than grain."

Gloomy outlook pervades world farming conference

BY NANCY DUNNE IN WASHINGTON

GLOOM PERVADED the US Department of Agriculture's (USDA) annual outlook conference this week as one report after another predicted oversupply. Lower prices, depressed markets, and more bankrupt farmers.

"They say that nothing succeeds like success," said Baron Heereman, President of the International Federation of Agricultural Producers. "In the farmer's case nothing has been more destructive than his success. He has become like the sorcerer's apprentice."

One by one, Mr Heerman, head of thme worldwide body of national level farmers' organisations and agricultural co-operatives, ticked off the world's producers.

In Australia, he said, the situation was "grim" with interest rates at 17 per cent and the income of farmers less than half the average of other wokers. Owing to the 1983 drought, farm incomes in New Zealond were at their lowest in 10 years with the 1984-85 situation being the second lowest.

Nearly 20 per cent of Canada's farmers were facing a "very severe debt crisis," he said, while a poor 1984 grain crop left grain exports down from 31m tonnes to 21m tonnes.

In the last decade in Europe, farm income had slipped behind average industrial wages by 40 per cent. Disaster had also struck third world farmers. The indebted nations were so desperate to increase exports that they would produce soyabeans, wheat, sugar, ethanol and orange juice "by all and every means and so further depress already oversupplied markets."

Cold weather hits petroleum stocks

US PETROLEUM stocks last week were considerably lower than at the same time last year as the cold weather descended on large areas of the nation, writes our Washington Staff.

Crude oil stocks rose only 1.6m barrels last week to 315m barrels, well below last year's levels of 342m barrels according to the American Petroleum Institute (API).

Distillate fuel oil stocks, also well behind 1984, were reported at 135.5m barrels. Inventories last year stood at more than 160m barrels.

Tin council adjourns its session until next week

BY STEFAN WAGSTYL

THE INTERNATIONAL Tin Council has adjourned its emergency meeting on the six weeks old tin market crisis until next Tuesday.

It has broken up its formal session to give its 22-member countries more time to formulate proposals for settling the council's multi-million pound debts to brokers and bankers.

As a result, the London Metal Exchange authorities are likely to agree today to keep tin trading suspended for at least another week.

Yesterday representatives of 13 LME brokers with outstanding tin council contracts, attended the ITC's meeting to discuss ways of reopening trading in an orderly way.

After the meeting Mr Ralph Kestenbaum, of broker Gerald Metals, said that it would be inopportune to reopen tin trading in the midst of "constructive" discussions.

The brokers hoped the Tin Council would set up a working group with full negotiating powers to meet its creditors.

However it will now be Tuesday at the earliest before such a group is established. The delay is unlikely to please creditors. However, it will give the UK Government, which has the interests of the LME at heart, another chance to try to persuade its fellow members, especially the EEC countries, to support an orderly settlement.

The EEC countries plan to meet in Brussels on Monday.

No formal settlements to those proposals have been put forward by member countries. But delegates believe that their bankers, and in particular the creditor metal brokers, are more willing than before, to discuss ways of reducing the council's potential debts, which could run as high as £900m.

Delegates have talked in terms of "burden sharing," and are discussing "minimising the loss of all three parties—ITC, banks and brokers."

But it is clear that even if the 22 countries agree on proposals, it could take weeks before a settlement is reached. The banks have so far set themselves against any settlement under which they would accept anything less than the repayment of 100 percent of their capital. Conversely, ITC delegates have described bank terms for a rescue package as too onerous.

Alexander Nicoll on proposed reforms in futures trading

US exchanges prepare for a fight

A STORM is brewing in the US futures and options industry over official proposals to tighten brokers' capital requirements, said by exchanges to threaten the existence of more than a third of member firms.

The first squall has already resulted in a minor victory for the exchanges, led by the Chicago Board of Trade. In response to intense pressure, the Commodity Futures Trading Commission has agreed to reopen the period for public comment on its plans.

The decision has put off until next March what promises to be a bitter battle even by the standards of the usually adversarial relationships between US financial institutions and their regulators. The CBOT has already formed a $1m legal defence fund.

The CFTC has not proposed any change in the basic rule requiring firms to keep on hand net capital representing 4 per cent of their assets. But it has suggested drastic changes in the way net capital is computed.

What stung the agency into action was the collapse in March of Volume Investors, a member of the New York Commodity Exchange (Comex). The firm was unable to meet $20m of margin calls because some of its customers, who had written gold options, were unable to meet their commitments when the gold price jumped $39 in one day.

In normal circumstances, accounts of uninvolved customers of a failing brokerage firm are swiftly transferred by an exchange to other member firms. In this case, the Comex summarily froze $14m of funds in about 100 investors' accounts. The ensuing legal imbroglio is still tying up the money.

Though it seems likely that the innocent customers will get their money back, the affair came at a particularly sensitive time for the CFTC.

The agency, headed by Miss Susan Phillips, will face intense public scrutiny next year when Congress must decide whether to reauthorise it as the regulator of the futures industry.

Consequently, it is keen to be seen to be tough, particularly in protecting small investors such as appear to have been customers of Volume Investors.

The CFTC, founded to regulate commodity markets, has already been treading a fine line as its field has become dominated by contracts based on financial instruments. Trading of securities is regulated by the Securities and Exchange Commisison.

Against this background, the CFTC showed extreme concern about the Volume Investors affair. It quickly launched an investigation and, in August, published the sweeping proposals which are now at issue. Then, it showed some reluctance to extend significantly the comment period on the proposals.

Many futures brokers and exchanges have objected to the measures, but most have adopted a less antagonistic approach than the CBOT, the largest exchange in terms of contracts traded. Its letter of comment, sent in November before the period was reopened until March, accused the CFTC of "arrogant and untimely grandstanding," "an alarming disinterest in receiving comments," and "arbitrary and caprcious action."

The CBOT, though it noted that the CFTC plans would probably be altered, said they would have "devastating effects" on the futures industry. The exchange and many other people in the industry believe they are a drastic overreaction to the Volume Investors problem.

The objections are particularly virulent because of the struggle to make a profit faced by futures brokers following a wave of commission-cutting which has already put many out of business. Competition has been intense because the growth of finnacial products has brought many new players from New York into the pits, and put strong pressure on traditional agricultural firms.

Agricultural hedging firms are thought to be among the most vulnerable to the CFTC proposals.

Though brokers' profitability may be precarious, the exchanges insist that sufficient controls are in place to protect investors should any firm get into difficulties. What went wrong with Volume Investors, they say, was that existing rules on margins and position limits were not properly enforced.

The CFTC calls its proposals "fine-tuning." The Commission said it believed that "based on what happened in Volume Investors, certain financial protections in the marketplace need to be changed. There is not a need for massive overhaul and reform. We are not interested in putting anyone out of business, but we are interested in making sure that customer moneys are protected."

Robert Goldberg, chairman of CBOT which warns of "devastating effects"

The most unpopular CFTC suggestion would involve making a "concentration charge" against capital if customers of a Futures Commission Merchant (FCM) built up large positions on one side of a market — just as Volume Investors' customers did. An FCM is an exchange member which takes outside customer orders and receives margin payments on them.

Merrill Lynch Futures, one of the largest FCMs, acknowledged to the CFTC that new safeguards were needed. But the CFTC plan would mean big fluctuations in capital requirements. "Many well-managed small firms, whose credit and margin policies and procedures provide adequate protection against risk, would be forced to employ unrealistically high amounts of capital in order to remain in compliance." Consequently, Merrill argued, they would probably withdraw from the industry, causing increased dominance by big institutions such as Merrill to the detriment of the smaller customer.

There would be no need for a concentration charge, Merrill said, if speculative position limits were strictly regulated and if options were margined in the same way as futures.

Cargill Investor Services, another well-established and respected FCM, said computer tests showed it would have had to make a $23.6m charge to capital. As a result, its adjusted net capital would be $18m below CFTC minimum requirements. It would have to recommend to its owners "that we exit this business and employ our capital elsewhere."

The CFTC would also exclude from current assets securities purchased by an FCM from another FCM under reverse repurchase agreements—transactions used by dealers in government securities to finance their positions. Since many prominent securities dealers are also FCMs, the proposal would force them effectively to choose between operating in the cash and futures markets.

Another CFTC proposal has been attacked as fundamentally impractical. Any customer account in deficit at the end of a day would be excluded from receivables to be counted as current assets. Firms argue that they do not get full details of each customer's account until the small hours of the next day. Same-day settlement of customer accounts would in any case be impossible because the Fedwire, the domestic US settlement system, closes down before all futures markets finish trading.

LONDON MARKETS

COPPER and aluminium trading on the London Metal Exchange sprang into life yesterday, after a period in the doldrums caused largely by the international tin crisis. Cash higher-grade copper rose by £19 a tonne on the day in active dealings, involving a mixture of covering against options business, stop-loss and chart buying. Cash aluminium rose by £7 a tonne, against a background of expectations of rising physical demand. Nickel and zinc were also firmer, with zinc propped up by positive chart patterns and tightening LME supplies, while lead eased slightly. In soft commodities, the action was once again focused on coffee, where fears have been growing over the last few days about severe damage caused by drought to the all-important Brazilian crop. Robusta futures for March delivery shot up by £46.50 a tonne on the back of another wave of buying following Wednesday's profit-taking. The sugar and cocoa markets, by contrast, were quiet.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	667.5-8.5	+7	661/660
3 months	691.5-2	+7	698/684

Official closing (am): Cash 661-.5 (654.5-5); three months 684-5 (679.5-80); settlement 661.5 (655). Final Kerb close: 698-9. Turnover: 30,975 tonnes.

INDICES

FINANCIAL TIMES

Dec. 5	Dec. 4	M'th ago	Yearago
—*	—*	—*	289.61

(Base: July 1 1952=100)

REUTERS

Dec. 5	Dec. 4	M'th ago	Year ago
1751.5	1740.5	1719.3	1893.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 4	Dec. 3	Month ago	Year ago
Spot	121.58	121.59	—	124.87
Fut.	123.54	123.25	—	126.35

(Base: December 31 1974 = 100)

* Not available due to suspension of tin on LME.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 4 1985	+ or —	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$1020/50	+5	$999/10
Copper			
Cash h Grade	£941.5	+19	£949.5
3 mths	£958.5	+14.75	£979.25
Gold Troy oz	$322.75	—0.75	$322.75
Lead Cash	£271.5	—3.75	£274.6
3 mths	£277.75	—1	£276
Nickel			
Free Mkt.	179/189c	—1	181/201c
Palladium oz	$101.65	+0.05	$101.00
Platinum oz	$347.30	—2.15	$326.25
Quicksilvert	$270/280		$265/275
Silver troy oz	410.00p	+0.85	422.75p
3 months	420.85p	+0.20	434.05p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$67.77		$70.28
Wolfram 22.0lb.	$58/64		$60/65
Zinc	£450.5	+26	£407.5
3 months	£454.5	+18.5	£421.5
Producers	$660/670		$660/670
OILS			
Coconut (Phil)	$390x	+5	$415
Palm Malayan	$380z	—2.5	$357.5
SEEDS			

US MARKETS

PRECIOUS METALS remained steady but continued to be restrained on the upside as profit-taking pressured platinum values, reports Heinold Commodities. Copper firmed as deliveries remained light, prompting concern over the availability of nearby supplies. Aluminium also gained from the strength in copper along with a stronger tone to cash demand. Sugar gained ground on technical buying along with rumours of Indian purchases. Cocoa found light support on reports of heavy rains delaying drying in Bahia. A firm tone prevailed in coffee as fresh roaster interest emerged. Cotton came under modest pressure ahead of the last trading day in the December position. The energy complex strengthened on short-covering linked to the weekly trade stock report which showed stocks had not build up as much as expected. The grain complex came under pressure on increased movement in maize and lack of export business in wheat. The soyabean complex weakened awaiting fresh news on the Farm Bill.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	High	Low	Prev
Dec	46.30	46.40	45.40	45.55
Jan	46.50	—	—	45.75
Feb	46.90	—	—	45.95
March	47.30	47.40	46.35	46.55
May	48.10	48.05	47.35	47.35
July	48.85	48.80	48.70	48.10
Sept	49.60	—	—	48.85
Dec	50.70	—	—	49.95
Jan	51.05	—	—	50.30
March	51.80	—	—	51.05

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.40	61.70	61.05	61.55
March	60.40	60.78	60.30	60.68
May	60.70	61.01	60.70	61.00
July	59.46	59.55	59.38	59.53
Oct	53.60	53.60	53.60	54.03
Dec	51.72	52.10	51.70	52.03
March	52.45	—	—	52.60
May	52.75	—	—	53.05

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	113.45	113.45	112.90	113.20
March	114.75	115.45	114.50	115.45
May	115.15	115.70	115.00	115.75
July	115.40	115.75	115.00	116.10
Sept	112.15	—	—	111.50
Nov	112.35	—	—	111.75
Jan	112.60	—	—	112.00
March	112.80	—	—	112.20
May	112.80	—	—	112.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	343.0	—	—	347.5
Jan	345.0	351.2	344.5	349.5
Feb	346.0	—	—	350.5
April	346.6	353.0	348.0	351.6
July	349.6	355.5	349.5	354.6
Oct	353.1	359.5	353.5	358.1
Jan	358.1	—	—	363.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	606.4	608.5	604.5	604.7
Jan	610.1	610.5	609.0	608.6
Feb	614.3	—	—	612.8
March	618.5	620.5	615.5	617.0
May	626.8	628.5	624.0	625.3
July	635.3	636.5	633.0	633.9
Sept	644.3	646.0	643.5	643.0
Dec	658.1	661.0	656.0	656.7
Jan	662.9	—	—	661.5
March	672.3	672.0	670.0	670.9

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	5.58	5.55	5.38	5.38
March	6.51	6.52	6.32	6.33
May	6.66	6.68	6.49	6.51
July	6.80	6.80	6.62	6.67
Sept	6.94	6.87	6.87	6.82
Oct	7.01	7.04	6.88	6.92
Jan	7.14	—	—	7.05
March	7.58	7.58	7.45	7.50

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.42	67.50	66.55	66.85
Feb	63.90	64.10	63.12	63.12
April	62.35	62.50	61.80	61.67
June	62.20	62.30	61.70	61.65
August	60.70	60.75	60.25	60.22
Oct	59.45	59.75	59.25	59.30

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar trades in narrow range

The dollar showed little change after a day of see-saw movements within a narrow trading range. The foreign exchange market lacked direction and also the impetus to move outside the range established in recent days of DM 2.50 to DM 2.54. Trading has the appearance of winding down ahead of the year end, and unless an important new factor emerges there seems little reason for the US currency to show any strong movement in the next few weeks. Central banks are expected to prevent any marked recovery, but there are also doubts about how depressed the US economy is, and whether the Federal Reserve will cut its discount rate to stimulate growth. The flash estimate of fourth quarter Gross National Product growth later this month is expected to be below 2 per cent, and the market also views with some scepticism the Administration's forecast of 4 per cent growth for 1986.

Until a clearer picture emerges of how the economy is performing the dollar appears set to remain close to its present levels, although dealers seem to generally believe the downward trend will continue, but at a much slower pace than in the last month or so.

The dollar closed unchanged at DM 2.5190, and improved slightly to FFr 7.6850 from FFr 7.6825; SFr 2.0955 from SFr 2.0950; and Y203 from Y202.60.

On Bank of England figures the dollar's index rose to 127.1 from 126.7.

STERLING — Trading range against the dollar in 1985 is 1.4885 to 1.0525. November average 1.4408. Exchange rate index fell to 81.0 from 81.2, after opening at 81.2, the day's high and touching a low of 80.9 at 2 pm. Six months ago the index was 78.8.

Sterling continued to look rather fragile, losing ground to major currencies in general, and needing the support of high London interest rates because of nervousness about oil prices. Warmer weather in Europe, and rumours of high production levels by Saudi Arabia, have led to some concern about the value of North Sea oil revenues, ahead of tomorrow's meeting of Opec ministers in Geneva. The pound lost 65 points to $1.4795-1.4805, and also fell to DM 3.7275 from DM 3.7450; FFr 11.3750 from FFr 11.42; SFr 3.1025 from SFr 3.1150; and Y300.50 from Y301.25.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 129.6 against 121.9 six months ago.

The D-mark lost a little ground to the dollar in dull Frankfurt trading. There were no new factors. It was suggested the dollar gained some support from expectations of a large rise in weekly US M1 money supply, in spite of the fact that a computer failure in New York had distorted the figure. In the absence of any incentive to take out new positions, the market was kept ticking over by small commercial orders. The Bundesbank did not intervene when the dollar was fixed at DM 2.5266, compared with DM 2.5224 previously. At the Frankfurt close the dollar was DM 2.5225, compared with DM 2.5195 on Wednesday. Dealers noticed a tendency for money to move out of sterling and the yen, and into the dollar and D-mark, with the pound suffering some nervousness ahead of tomorrow's Opec meeting.

£ IN NEW YORK

	Dec. 5	Prev. close
£ Spot	$1.4785-1.4795	$1.4870-1.4880
1 month	0.45-0.40pm	0.42-0.41pm
3 months	1.19-1.15pm	1.19-1.16pm
12 months	3.75-3.60pm	3.67-3.57pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT — FORWARD AGAINST POUND

Dec 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4730-1.4860	1.4795-1.4805	0.43-0.40c pm	3.36	1.23-1.19pm	3.27
Canada	2.0560-2.0640	2.0600-2.0630	0.50-0.40c pm	2.62	1.18-1.05pm	2.16
Nethlnd.	4.19½-4.20⅝	4.19½-4.20½	2⅛-2c pm	5.89	6-5⅝pm	5.54
Belgium	75.71-75.90	75.80-75.90	23-18c pm	3.24	64-55pm	3.14
Denmark	13.49¼-13.55	13.50¾-13.51¾	3⅛-2⅛ore pm	2.73	8⅞-7⅞pm	2.64
Ireland	1.2063-1.2107	1.2074-1.2084	0.27-0.13p pm	1.99	0.52-0.18pm	1.16
W. Ger.	3.72¼-3.73¾	3.72¼-3.73¼	2⅛-2⅛pf pm	7.03	6⅞-6⅝pm	6.63
Portugal	236.22-238.21	236.49-238.13	190-495c dis	−17.34	625-1525dis	−18.14
Spain	230.04-230.63	230.28-230.58	55-100c dis	−4.03	225-345dis	−4.94
Italy	2,543-2,552½	2,543-2,544	13-18 lire dis	−7.31	24-31dis	−4.32
Norway	11.22½-11.26¼	11.24½-11.25¼	½-1ore dis	−0.80	2½-2⅞dis	−0.89
France	11.37-11.39¼	11.37-11.38	1.85-1.16c pm	1.59	4.42-3.37pm	1.37
Sweden	11.31½-11.35¼	11.32-11.33	1-1⅛ore dis	−1.39	2⅞-3⅛dis	−0.99
Japan	300-301¼	300-301	0.91-0.77y pm	3.35	2.84-2.65pm	3.66
Austria	26.13-26.27	26.24-26.27	11⅛-9⅛gro pm	4.77	33¼-28¼pm	4.73
Switz.	3.09¾-3.11	3.09¾-3.10¾	2⅞-2c pm	7.97	5⅞-5⅛pm	7.41

Belgian rate is for convertible francs. Financial franc 76.25-76.35. Six-month forward dollar 2.25-2.20c pm, 12-month 3.85-3.70c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 5	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4730-1.4860	1.4795-1.4805	0.43-0.40c pm	3.36	1.23-1.19pm	3.27
Ireland†	1.2205-1.2270	1.2260-1.2267	0.20-0.10c pm	1.47	0.80-0.50pm	2.12
Canada	1.3912-1.3945	1.3932-1.3937	0.08-0.11c dis	−0.82	0.37-0.41dis	−1.12
Nethlnd.	2.8290-2.8475	2.8380-2.8390	0.60-0.57c pm	2.47	1.66-1.63pm	2.31
Belgium	51.05-51.40	51.20-51.30	par-1c dis	−0.12	1-3dis	−0.16
Denmark	9.10-9.16¼	9.12¼-9.13¼	⅛-1⅛ore dis	−1.15	2⅛-2⅞dis	−1.04
W. Ger.	2.5140-2.5310	2.5185-2.5195	0.77-0.72pf pm	3.54	2.18-2.13pm	3.41
Portugal	159½-161	160-161	150-350c dis	−18.75	450-1000dis	−18.13
Spain	155.27-156.02	155.70-155.80	100-200c dis	−11.55	300-400dis	−8.98
Italy	1,715-1,727	1,718-1,719	15-16½ lire dis	−10.98	31-34dis	−7.54
Norway	7.58½-7.62¼	7.59¾-7.60¼	2⅞-2⅞ore dis	−4.23	7⅞-8⅞dis	−4.20
France	7.67½-7.71¼	7.68¼-7.68¾	1.00-1.20c dis	−1.71	3.20-3.60dis	−1.77
Sweden	7.64-7.69	7.65-7.65½	3-3⅛ore dis	−4.89	8⅞-8⅞dis	−4.30
Japan	202.30-203.90	202.95-203.05	0.01y pm-0.02d	−0.03	0.21-0.17pm	0.37
Austria	17.66-17.77½	17.72-17.74	2⅛-1⅛gro pm	1.35	7⅛-5pm	1.41
Switz.	2.0910-2.1060	2.0950-2.0960	0.77-0.72c pm	4.24	2.22-2.17pm	4.17

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.50-51.60.

EXCHANGE CROSS RATES

Dec. 5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.480	3.728	300.5	11.38	3.103	4.200	2544.	2.062	75.86
$	0.676	1.	2.519	203.0	7.685	2.096	2.839	1719.	1.393	51.25
DM	0.268	0.397	1.	80.62	3.052	0.832	1.127	682.4	0.553	20.35
YEN	3.328	4.925	12.40	1000.	37.86	10.32	13.98	8464.	6.860	252.4
F Fr.	0.879	1.301	3.277	264.2	10.	2.727	3.692	2236.	1.812	66.68
S Fr.	0.322	0.477	1.201	96.86	3.666	1.	1.354	819.8	0.664	24.45
H Fl.	0.238	0.352	0.888	71.55	2.708	0.739	1.	605.6	0.491	18.06
Lira	0.393	0.582	1.466	118.1	4.472	1.220	1.651	1000.	0.810	29.82
C $	0.485	0.718	1.808	145.8	5.518	1.505	2.037	1234.	1.	36.79
B Fr.	1.318	1.951	4.914	396.2	15.00	4.090	5.537	3353.	2.718	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 5	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	11¾-11⅞	11 11/16-11 13/16	11 11/16-11 13/16	11⅝-11 11/16	11 7/16-11½	11¼-11⅜
U.S. Dollar	8⅛-8¼	8⅛-8¼	8 3/16-8 5/16	8⅛-8¼	8⅛-8¼	8¼-8⅜
Can Dollar	8¼-8¾	8⅜-8⅝	8 13/16-8 15/16	9-9¼	9 1/16-9 3/16	9¼-9½
D Guilder	5⅝-5⅞	5 11/16-5 13/16	5 13/16-5 15/16	5 13/16-5 15/16	5⅞-6	5 15/16-6 1/16
Sw. Franc	2¼-2½	2-2¼	4 1/16-4 3/16	4-4⅛	4-4⅛	4 1/16-4 3/16
Deutschmrk	4⅝-4⅞	4 11/16-4 13/16	4¾-4⅞	4¾-4⅞	4¾-4⅞	4⅞-5
Fr. Franc	8¾-8⅞	9-9¼	9 13/16-9 15/16	9⅞-10	10¼-10⅞	10⅝-10¾
Italian Lire	15-20	21-26	17¾-19¼	15⅛-16¼	15-15¾	14½-15
B.Fr.(Fin)	8⅝-8⅞	8½-8¾	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝
Br.Fr(Con)	8⅝-8⅞	8½-8¾	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝	8⅜-8⅝
Yen	8⅜-8½	8⅜-8 7/16	8⅜-8½	7⅞-7 15/16	7¼-7⅜	7-7 1/16
D. Krone	9½-10	9⅛-9⅜	9⅜-9⅞	9¼-9¾	9¼-9¾	9⅜-9⅞
Asian $ (Sng)	8⅜-8½	8 3/16-8 5/16	8¼-8⅜	8 3/16-8 5/16	8 3/16-8 5/16	8 3/16-8 5/16

Long-term Eurodollars: two years 8⅞-9 per cent; three years 9¼-9½ per cent; four years 9½-9¾ per cent; five years 9 11/16-9 15/16 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

CURRENCY MOVEMENTS

Dec. 5	Bank of England Index	Morgan Guaranty Change %
Sterling	81.0	−9.6
U.S. dollar	127.1	+15.9
Canadian dollar	81.3	−11.2
Austrian schilling	120.7	+5.7
Belgian franc	92.7	−9.5
Danish Kroner	85.1	−2.9
Deutsche mark	129.6	+10.8
Swiss franc	161.4	+18.6
Guilder	119.9	+6.3
French franc	69.6	−11.8
Lire	44.6	−20.2
Yen	176.6	+26.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 5	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.738066	0.591018
U.S.$	7½	1.09005	0.871456
Canadian $	8.98	*	1.21542
Austria Sch.	4	19.3560	15.4658
Belgian Fr.	8¼	55.9277	44.7841
Danish Kr.	7	9.97398	7.97906
D mark	4	N/A	2.20522
Guilder	5	3.09758	2.48103
French Fr.	9½	N/A	6.72590
Lira	15½	1878.43	1505.00
Yen	5	220.953	177.428
Norway Kr.	8	8.30073	6.64093
Span'h Pta.	—	169.884	135.904
Swedish K.	10½	8.34924	6.68799
Swiss Fr.	4	2.29325	1.83434
Greek Dr'ch	20½	163.568	130.692
Irish Punt	—	N/A	0.713431

* C$/SDR rate for December 4: 1.51569.

OTHER CURRENCIES

Dec. 5	£	$
Arg'tina	1.1837-1.1859	0.8000-0.8010
Aus'alia	2.1640-2.1670	1.4560-1.4675
Brazil	14,057-14,131	9,500-9,545
Finland	8.0720-8.0855	5.4640-5.4660
Greece	219.12-223.85	147.95-151.05
H'kong	11.5480-11.5559	7.8040-7.8060
Iran	125.20*	84.70*
Kuwait	0.4285-0.4295	0.28980-0.29005
Lux'burg	75.80 75.90	51.20-51.30
Malay'sia	3.5810-3.5875	2.4215-2.4235
N'Z'land	2.5970-2.6070	1.7605-1.7650
Saudi Ar.	5.3903-5.4055	3.6510-3.6515
Sin'pore	3.1460-3.1526	2.1275-2.1305
S.Af.(Cm)	4.1005-4.1115	2.7725-2.7800
S.Af.(Fn)	4.9300-5.1005	3.3335-3.4485
U.A.E.	5.4295-5.4375	3.6715-3.6725

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.7841	−0.11	+0.79	±1.5425
Danish Krone	8.12857	7.97805	−1.84	−0.94	±1.6421
German D-mark	2.23840	2.20522	−1.48	−0.58	±1.1455
French Franc	6.86402	6.72590	−2.01	−1.11	±1.3654
Dutch Guilder	2.52208	2.48103	−1.63	−0.73	±1.5162
Irish Punt	0.724578	0.713431	−1.54	−0.64	±1.6673
Italian Lira	1520.60	1505.00	−1.03	−0.94	±4.0858

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FUTURES AND OPTIONS

Weaker trend

Prices were weaker in the *London International Financial Futures Exchange* yesterday. US bond futures were marked up initially, following a late rally in Chicago on Wednesday but there appeared to be a lack of follow through buying with the market very unsure of the outcome to current efforts to resolve the US budget deficit and to raise the debt ceiling.

With so much speculation and so many rumours circulating, bond prices tended to retreat in fairly thin trading as the market preferred to wait for today's US unemployment figures. After a firmer opening, bond prices drifted until brief interest was shown at the start of Chicago trading. This was very short lived however and the downward trend continued. There was little comfort from a slightly lower Federal funds rate and after opening at 80-05, the March contract fell to a close of 79-29, slightly up from 79-24 on Wednesday but well down from the day's high of 80-07.

Sterling based contracts reflected further disappointment over the rapidly vanishing prospects of a short to medium term cut in UK clearing bank base rates. Comments made on Wednesday by Mr Nigel Lawson, Chancellor of the Exchequer, suggesting that lower interest rates could be encouraged by smaller wage rises did nothing to raise hopes of an early cut in rates.

With a slightly firmer tone in the cash market and sterling's weaker trend, values were marked down in both gilt futures and three-month sterling deposits.

The latter for March delivery opened at 89.10 and closed at the day's low of 89.00, down from 89.09 on Wednesday. There was a brief attempt at a rally during the afternoon but this was short lived.

STERLING INDEX

	Dec. 5	Previous
8.30 am	81.2	81.3
9.00 am	81.0	81.3
10.00 am	81.0	81.3
11.00 am	81.0	81.3
Noon	81.0	81.3
1.00 pm	87.0	81.3
2.00 pm	80.9	81.3
3.00 pm	81.1	81.3
4.00 pm	81.0	81.2

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4800	1.4758	1.4679	1.4578	1.4423

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4790	1.4800	1.4720	1.4825
March	1.4680	1.4685	1.4615	1.4715
June	1.4580	1.4580	1.4530	1.4615
Sept	—	—	—	—
Dec	1.4400	—	1.4400	1.4505

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.4780	1.4800	1.4754	1.4845
March	1.4665	1.4670	1.4640	1.4730
June	1.4565	—	—	1.4635
Sept	1.4465	—	—	1.4555

Estimated volume 288 (88)
Previous day's open int 3,923 (3,940)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3966	0.3966	0.3965	0.3974
March	0.4000	0.4003	0.3990	0.4009
June	0.4033	—	—	0.4042

Estimated volume 21 (77)
Previous day's open int 240 (249)

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	111-24	112-00	111-20	112-07
March	111-28	112-06	111-22	112-12
June	111-28	—	—	112-12

Estimated volume 3,096 (2,265)
Previous day's open int 5,609 (5,301)
Basis quote (clean cash price of 13½% Treasury 2004-08 less equivalent price of near futures contract −8 to +4 (32nds).

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
Dec	97-14	97-17	97-10	97-23
March	97-25	97-29	97-22	97-36

Estimated volume 194 (274)
Previous day's open int 1,104 (1,206)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
Dec	88.42	88.45	88.41	88.46
March	89.00	89.11	88.98	89.09
June	89.41	89.45	89.37	89.45
Sept	89.51	89.51	89.48	89.55
Dec	89.44	89.44	89.44	89.51

Estimated volume 2,186 (1,097)
Previous day's open int 8,124 (7,969)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
Dec	140.20	140.75	138.85	140.50
March	141.50	142.40	140.25	141.80

Estimated volume 768 (434)
Previous day's open int 2,540 (2,537)

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	91.83	91.86	91.82	91.84
March	91.83	91.90	91.83	91.87
June	91.69	91.75	91.69	91.72
Sept	91.43	91.50	91.43	91.46
Dec	91.14	91.14	91.14	91.17

Estimated volume 3,453 (3,428)
Previous day's open int 27,355 (21,120)

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	March	June	Vol
90.00	1.83	1.83	1.71	—	0.00	0.00	0.02	—
90.50	1.33	1.34	1.25	—	0.00	0.01	0.06	—
91.00	0.83	0.87	0.83	67	0.00	0.04	0.14	67
91.50	0.34	0.46	0.48	—	0.01	0.13	0.29	—
92.00	0.03	0.18	0.23	19	0.20	0.35	0.54	—
92.50	0.00	0.04	0.09	—	0.67	0.71	0.90	—
93.00	0.00	0.01	0.02	—	1.17	1.18	1.33	—

Previous day's open int. Calls 2,845, Puts 3,270

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last Dec	March	June	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	27.97	27.97	27.97	—	0.00	0.01	0.17	—
1.25	22.97	22.97	22.97	—	0.00	0.04	0.44	—
1.30	17.97	17.97	17.97	—	0.00	0.18	1.00	—
1.35	12.97	12.97	12.97	—	0.00	0.61	1.98	—
1.40	7.57	8.24	9.18	—	0.00	1.59	3.53	251
1.45	2.57	5.03	6.37	1	0.16	3.38	5.72	29
1.50	0.28	2.75	4.21	250	2.46	6.10	8.56	—

Previous day's open int. Calls 9,752, Puts 17,536

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	2,820	—	—	—	10	—	—	—
1.25	2,320	—	—	—	10	—	—	—
1.30	1,820	—	—	102	10	—	—	—
1.35	1,320	1,310	1,310	356	10	15	40	—
1.40	820	820	830	—	10	35	105	—
1.45	320	365	440	—	30	125	270	16
1.50	40	130	220	55	270	375	560	9

Previous day's open int. Calls 8,009, Puts 10,196

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last Dec	Jan	Feb	Vol	Puts—Last Dec	Jan	Feb	Vol
1.20	27.45	—	—	2	—	—	—	—
1.35	12.40	—	—	9	—	—	—	—
1.40	7.50	—	—	1	—	—	—	—
1.45	2.75	3.70	—	15	—	—	—	—
1.50	0.20	1.20	—	130	—	3.85	—	2

Previous day's open int. Calls 62,364, Puts 54,829

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	81-07	81-8	81-03	81-14
March	79-30	80-08	79-25	80-04
June	78-26	79-04	78-23	79-01
Sept	77-25	78-03	77-25	78-00
Dec	76-28	77-05	76-28	77-02
March	76-00	76-03	76-00	76-08
June	—	—	—	75-17
Sept	—	—	—	—
Dec	—	—	—	74-12
March	—	—	—	73-29

US TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.88	92.92	92.88	92.92
March	92.93	92.95	92.92	92.95
June	92.79	92.81	92.79	92.81
Sept	92.53	92.55	92.51	92.55
Dec	92.25	92.26	92.25	92.26
March	91.97	91.97	91.97	91.98
June	91.71	—	91.71	91.72
Sept	91.46	—	91.46	91.47

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.11	92.12	92.10	92.13
March	92.16	—	92.15	92.19
June	—	—	—	92.03
Sept	—	—	—	91.75

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.83	91.84	91.81	91.85
March	91.84	91.87	91.82	91.88
June	91.69	91.72	91.67	91.72
Sept	91.42	91.43	91.40	91.45
Dec	91.12	91.13	91.12	91.16
March	90.85	90.85	90.85	90.88
June	90.55	90.55	90.55	90.61
Sept	90.32	—	90.32	90.34

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Dec	81-06	81-15	81-04	81-01
March	79-29	80-07	79-26	79-24
June	78-28	—	—	78-23

Estimated volume 3,204 (3,020)
Previous day's open int 3,188 (2,967)

MONEY MARKETS

London rates firm

London interest rates remained firm yesterday, with the money market now resigned to no change in bank base rates for the foreseeable future. Three-month interbank remained at 11 9/16-11 11/16 per cent, and discount houses buying rates for three-month bank bills were 11 7/16 per cent against 11 13/32-11 7/16 per cent.

The Bank of England forecast a money market shortage of £650m in the morning, but changed this to £600m at noon.

UK clearing banks base lending rate 11½ per cent since July 30

Total help of £591m was provided during the day.

Before lunch the authorities bought £242m bills outright, by way of £11m bank bills in band 1 at 11⅝ per cent; £119m bank bills in band 2 at 11 9/16 per cent; £93m bank bills in band 3 at 11½ per cent; £13m Treasury bills in band 4 at 11 7/16 per cent; and £6m bank bills in band 4 at 11 7/16 per cent.

In the afternoon another £279m bills were purchased outright, through £98m bank bills in band 1: £85m bank bills in band 2; £4m Treasury bills in band 2: £40m bank bills in band 3; £11m Treasury bills in band 4; and £41m bank bills in band 4, all at unchanged rates.

Late assistance of £70m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £269m, with the unwinding of repurchase agreements absorbing £425m; a rise in the note circulation £55m; and bank balances below target another £110m. These outweighed Exchequer transactions adding £200m to liquidity.

In Frankfurt the Bundesbank left its discount rate at 4 per cent and the lombard rate at 5.5 per cent at yesterday's council meeting. Call money continued to decline, falling to 4.65 per cent from 4.75 per cent, in comfortable conditions after the recent addition of liquidity by the central bank.

In Paris the Bank of France kept its money market intervention rate at 8¾ per cent when buying first category paper to inject liquidity into the market. Call money rose to 9 per cent from 8⅞ per cent.

In Tokyo the seven-day rate rose by ⅛ per cent to 8⅜ per cent, the highest level since March 1981, on a moderate money market shortage of Y300bn. The rate rose by the same amount on Tuesday, because of a very large shortage, mainly caused by corporate tax payments. Pyments by companies of winter bonuses to employees will keep market conditions tight this month.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	9½
Fed funds	8 3/16
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.28
Two month	7.19
Three month	7.46
Six month	7.68
One year	7.88
Two year	8.46
Three year	8.73
Four year	9.00
Five year	9.16
Seven year	9.50
10 year	9.63
30 year	9.89

MONEY RATES

Dec. 5	Over night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.6-4.7	4.75-4.90	4.75-4.90	4.75-4.90	4.75-4.90	5.5
Paris	9	8 13/16-8 15/16	8 13/16-8 15/16	8 13/16-8 15/16	8 13/16-9 1/16	8¾
Zurich	7½-11½	4-4⅛	—	4-4⅛	—	—
Amsterdam	5¼-5½	5 13/16-5⅞	—	5 13/16-5⅞	—	—
Tokyo	8.09375	8.21875	—	7.90625	—	—
Milan	14⅝-15	15-15¾	—	14⅝-15	—	—
Brussels	6.60	8½-8¾	—	8⅝-8⅝	—	—
Dublin	—	10-10¼	10⅛-10¼	10⅛-10½	10½-10½	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 5)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 1/8	offer 8 1/4	bid 8 1/8	offer 8 1/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Bank Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 5	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10-12	11 11/16-11⅞	11⅝-11 13/16	11 9/16-11 11/16	11 7/16-11 9/16	11 7/16-11 9/16
Sterling CDs	—	—	11⅝-11⅝	11 9/16-11½	11 7/16-11 7/16	11 7/16-11 5/16
Local Authority Depos	11⅝-11⅞	11⅝	11⅝	11 9/16	11 7/16	11⅜
Local Author'y Bonds	—	—	12	11⅞	11⅝	11⅝
Discount Mkt Depos	10-11¾	11⅝-11¾	11⅜	11¼	—	—
Company Depos	10½-12½	12	11⅞	11¾	—	—
Finance Hse Depos	—	—	11 11/16	11½	11⅜	11¼
Treasury Bills (Buy)	—	—	11 7/16	11⅜	—	—
Bank Bills (Buy)	—	—	11 11/16-11⅝	11½	10 9/16-10½	—
Fine Trade Bills (Buy)	—	—	12	11 13/16	11¼	—
Dollar CDs	—	—	8.10-8.15	8.05-8.10	8.05-8.10	8.20-8.25
SDR Linked Depos	—	—	8 9/16	7 11/16-8⅛	7 11/16-8⅛	7 11/16-8⅛
ECU Depos	—	—	8 9/16-8 11/16	8 5/16-8 11/16	8 5/16-8 9/16	8 5/16-8 9/16

Treasury Bills (sell): one-month 11 9/32 per cent; three-month 11 9/32 per cent. Bank Bills (sell): one-month 11 17/32 per cent; three-month 11 15/32 per cent. Treasury Bills: Average tender rate at discount 11.0153 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985 Bank Deposit Rates for sums at seven days' notice 6 25-6.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11¼ per cent; six-nine months 11½ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from November 29. Deposits held under Series 5 11⅛ per cent. Deposits withdrawn for cash 7½ per cent.

Legal Notices

THE COMPANIES ACT 1985
REPCON (UK) LIMITED
RAILHEAD SERVICES LIMITED
RAILHEAD REPCON LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act 1985, that meetings of the Creditors of the above-named Companies will be held at: The Barbican Centre, Cinema 1, Barbican, London EC2Y 8DS, on Monday, the 16th day of December 1985, at 9.30 o'clock in the forenoon, 12.30 in the afternoon and 3.30 in the afternoon respectively, for the purposes mentioned in Sections 589 and 590 of the said Act.

Dated this 22nd day of November 1985.

By Order of the Board,
D. WESTHEAD,
C. TOLMAN,
Directors.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the US dollar against various currencies as of Wednesday, December 4 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one US dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept, EMEA London
Eurodollar Libor as of December 4 at 11.00 am
3 months: 8 3/16 6 months: 8 3/16

ECU=US$.874757 SDR1=US$1.09139
Sibor as of December 4 at 11.00 am
3 months: 8 3/16 6 months: 8 3/16

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	6.8036
Algeria	Dinar	4.815
Andorra	Fr. Franc	7.69
	Sp. Peseta	155.47
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral	0.801
Australia	Dollar	1.4704
Austria	Schilling	17.70
Azores	Port. Escudo	159.50
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	155.47
Bangladesh	Taka	30.50
Barbados	Dollar	2.0113
Belgium	Franc (c)	51.242
	Franc (f)	51.425
Belize	Dollar	2.00
Benin	C.F.A. Franc	384.50
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	12.06
Bolivia	Peso (o)	1160000.
	Peso (f)	1160000.
Botswana	Pula (6)	2.1858
Brazil	Cruzeiro (o)	9377.50
Brunei	Dollar	2.1325
Bulgaria	Lev	1.00
Burkina Faso	C.F.A. Franc	384.50
Burma	Kyat	7.796
Burundi	Franc	112.425
Cameroun Rp.	C.F.A. Franc	384.50
Canada	Dollar	1.3899
Canary Is.	Sp. Peseta	155.47
Cape Verde Is.	Escudo	89.2698
Cayman Is.	Dollar	0.835
Cen. Africa Rep.	C.F.A. Franc	384.50
Chad	C.F.A. Franc	384.50
Chile	Peso (o)	178.33
China	Renminbi Yuan	3.2016
Colombia	Peso (o)	166.86
Comoros	C.F.A. Franc	384.50
Congo Ppls Rep. of	C.F.A. Franc	384.50
Costa Rica	Colon	53.05
Cuba	Peso	0.8901
Cyprus	Pound*	1.8345
Czechoslovakia	Koruna (o)	6.50
Denmark	Krone	9.1225
Djibouti Rp. of	Franc	148.743
Dominica	E. Caribbean $	2.70
Domin. Rep.	Peso	1.00
	Peso (d)	2.97
Equador	Sucre (d)	125.66
	Sucre (f)	95.75
Egypt	Pound	0.83
	Pound (c)	1.355
El Salvador	Colon	2.50
	Colon (d)	5.25
Eq'tl Guinea	C.F.A. Franc	384.50
Ethiopia	Birr (o)	2.0748
Faeroe Is.	Dan. Krone	9.1225
Falkland Is.	Pound*	1.4845
Fiji	Dollar	1.1056
Finland	Markka	5.455
France	Franc	7.69
Fr. C'ty in Af	C.F.A. Franc	384.50
Fr. Guiana	Franc	7.69
Fr. Pac. Is	C.F.P. Franc	139.818
Gabon	C.F.A. Franc	384.50
Gambia	Dalasi	3.3681
Germany (E)	Ostmark (o)	2.522
Germany (W)	Mark	2.522
Ghana	Cedi (14)	60.00
Gibraltar	Pound*	1.4845
Greece	Drachma (4)	149.80
Greenland	Dan. Krone	9.1225
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	7.69
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, i)	2.88
Guinea Bissau	Peso	170.479
Guinea Rep.	Syli	22.6185
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
	Lempira (d)	2.62
Hong Kong	Dollar	7.8045
Hungary	Forint	47.756
Iceland	Krona	41.61
India	Rupee	12.06
Indonesia	Rupiah	1124.00
Iran	Rial (o)	84.5713
Iraq	Dinar	0.3109
Irish Rep	Punt*	1.2272
Israel	Shekel (10)	1487.00
Italy	Lira (11)	1719.00
Ivory Coast	C.F.A. Franc	384.50
Jamaica	Dollar (o) (5)	5.48
Japan	Yen	203.15
Jordan	Dinar	0.3553
Kampuchea	Riel	n.a.
Kenya	Shilling	14.7967
Kiribati	Aust. Dollar	1.4704
Korea (Nth)	Won	0.94
Korea (Sth)	Won	890.10
Kuwait	Dinar	0.2904
Lao P'pls D. Rep	Kip	35.00
Lebanon	Pound	17.20
Lesotho	Maloti	2.7624
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenstein	Sw. Franc	2.1025
Luxembourg	Lux. Franc	51.242
Macao	Pataca	8.1128
Madagascar D.R.	Franc	628.457
Madeira	Port. Escudo	159.50
Malawi	Kwacha	1.6703
Malaysia	Ringgit	2.4225
Maldive Is.	Rufiya	7.00
Mali Rp.	C.F.A. Franc	384.50
Malta	Lira*	2.3669
Martinique	Franc	7.69
Mauritania	Ouguiya	77.00
Mauritius	Rupee	14.22
Mexico	Peso (d) (12)	475.50
	Peso (e) (13)	343.60
Miquelon	Fr. Franc	7.69
Monaco	Fr. Franc	7.69
Mongolia	Tugrik (o)	3.3565
Montserrat	E. Caribbean $	2.70
Morocco	Dirham	9.65
Mozambique	Metica	41.558
Namibia	S. A. Rand	2.7624
Nauru Is	Aust. Dollar	1.4704
Nepal	Rupee (9)	20.50
Netherlands	Guilder	2.8367
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	1.7709
Nicaragua	Cordoba	10.00
	Cordoba(d)	700.00
Niger Rp	C.F.A.Franc	384.50
Nigeria	Naira	0.9317
Norway	Krone	7.6045
Oman Sultanate of	Rial	0.3456
Pakistan	Rupee	15.9878
Panama	Balboa	1.00
Papua N.G.	Kina	1.0091
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	635.00
Peru	Sol (o) (2)	13942.
Philippines	Peso	18.799
Pitcairn Is.	N.Z. Dollar	1.7709
Poland	Zloty (o)	150.14
Portugal	Escudo	159.50
PuertoRico	U.S. dollar	1.00
Qatar	Riyal	3.641
Reunion, Il de la	Fr. Franc	7.69
Romania	Leu (o)	4.01
	Leu (o)	12.42
Rwanda	Franc	94.1095
St. Christopher	E. Caribbbean $	2.70
St. Helena	Pound*	1.4845
St. Lucia	E. Caribbean $	2.70
St. Pierre	Fr. Franc	7.69
St. Vincent	E. Caribean $	2.70
Samoa (Western)	Tala	2.1482
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1719.00
Sao Tome & Principe DR	Dobra	41.461
Saudi Arabia	Riyal (7)	3.65
Senegal	C.F.A. Franc	384.50
Seychelles	Rupee	6.6267
Sierra Leone	Leone	6.00
Singapore	Dollar	2.1325
Soloman Is.	Dollar	1.676
Somali Rep.	Shilling	36.60
South Africa	Rand	2.7624
Spain	Peseta	155.47
Span Ports in N. Africa	Sp. Peseta	155.47
Sri Lanka	Rupee	27.40
Sudan Rep.	Pound	2.50
Surinam	Guilder	1.785
Swaziland	Lilangeni	2.7624
Sweden	Krona	7.655
Switzerland	Franc	2.1025
Syria	Pound (0)	3.925
Taiwan	Dollar (o)	39.83
Tanzania	Shilling	16.25
Thailand	Baht (8)	26.69
Togo Rep	C.F.A. Franc	384.50
Tonga Is.	Pa'anga	1.4704
Trinidad & Tobago	Dollar	2.409
Tunisia	Dinar	0.7672
Turkey	Lira	564.81
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	1.4704
Uganda	Shilling	1091.00
United Arab Emir.	Dirham	3.673
United Kingdom	Pound Sterling*	1.4845
Uruguay	Peso (m)	123.57
USSR	Rouble	0.7642
Vanuatu	Vatu	100.789
Vatican	Lira	1719.00
Venezuela	Bolivar (g)	7.50
	Bolivar (g) (1)	4.30
	Bolivar (o)	15.00
Vietnam	Dong	91.6965
Virgin Is. British	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	7.75
Yemen PDR	Dinar	0.343
Yugoslavia	Dinar	301.499
Zaire Republic	Zaire	52.1131
Zambia	Kwacha	5.6657
Zimbabwe	Dollar	1.6653

n.a. Not available. (m) Market rate. * US dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential Rates. (h) Non essential imports. (i) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Peru, August 2: Official rate devaluation of approximately 12 per cent. (3) Zambia: October 11 Kwacha devalued by 56 per cent. (4) Greece: October 11. Official devaluation of approximately 15 per cent. (5) Jamaica: November 8, Rate adjustment fixed by Central Bank bi-weekly auction. (6) Botswana, August 4: Pula revalued by 3 per cent against a basket of currencies. (7) Saudi Arabia June 10, Official devaluation of 1.1 per cent. (8) Thailand December 3: 50-Stang depreciation of Baht, (9) Nepal November 30: Rupee devalued by approximately 14.7 per cent. (10) Israel July 1: Official devaluation of 18 8 per cent. (1) Italy, July 21: Official devaluation of 8 per cent within the EMS. (12) Mexico, July 11: Now free rate introduced to replace old free rate. (13) Mexico, July 24: Controlled peso rate devalued by 16 7 per cent. (14) Ghana, October 7: Cedi devalued by approximately 5 per cent. For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
101	99	Exch 11½pc 1986	99		11 76	11 65
99	96½	Treas 10pcCnv 1986	99½	-	10 05	11 38
96	92¼	Treas 3pc 1986	96		3 10	10 89
100	97½	Exch 10½pc 1986	99	-	10 53	11 12
101	99¼	Treas 12pc 1986	100 xd	-	11 96	11 41
98	94¼	Treas 8¼pc 1984-86‡‡	98 xd		8.62	11.13
105	102¼	Exch 14pc 1986	102¼	-⅛	13.69	11 23
94	87½	Exch 2½pc 1986	94	+	2.63	8.24
104	101½	Exch 13½pc 1987	101	-⅛	13 01	11 31
99	96	Treas 10¼pcCv '87	98	-	10 37	11.13
93¼	85½	Exch 2½pc 1987	92	-	2 70	8 70
100	96½	Exch 10½pc 1987	99¼	-	10 58	11 08
95	89	Funding 6½pc '85-87‡‡	94	-	6 86	10 57
99	95½	Treas 10pc 1987	98 xd	-⅛	10 16	11 16
91¼	84¼	Treas 3pc 1987	91		3.29	8 65
102	99⅛	Treas 12pc 1987	101	-⅛	11 82	11 08
95	90¼	Treas 7¾pc 1985-88‡‡	94	-	8 24	10 84
100	95	Exch 10½pc '88	99	-⅛	10 59	10 92
96⅛	93	Treas 9½pc Cv '88	97¼ xd	-⅛	10.02	11 04
87	80	Transport 3pc '78-88	87 xd		3 43	8 54
97	91	Treas 9½pc '88	96¼	-	9.87	11 03
102¼	97½	Treas 11½pc 1989	102	-	11.34	10 98
97	90¼	Treas 9¼pc Cnv '89	95	-	9 91	10 99
84	79	Treas 3pc 1989	84		3 57	8 46
99	94	Treas 10½pc 1989	98¼ xd	-	10 63	10 94
98	92	Exch 10pc 1989	97	-	10 30	10 97
101	95	Exch 11pc 1989	100	-⅛	10 97	10 92
86	79	Treas 5pc 1986-89	85	-	5.82	9 42
40¼	39	Exch 10¼pcCv '89 £40pd	39	-	10 40	10 72
108	103¼	Treas 13pc 1990‡‡	106	-	12 15	10.83
101	96	Exch 11pc 1990‡‡	100	-	10 95	10 84
108¼	100¼	Exch 12¼pc 1990	105	-¼	11 83	10.84
81	75¼	Treas 3pc 1990	81	+	3 70	8.19
93¼	87¼	Treas 8¼pc 1987-90‡‡	91 xd	-	8 97	10.56
101¼	91	Treas 10pcCv 1990	96¼	-⅛	10 32	10 85

Five to Fifteen Years

Over Fifteen Years

Undated

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هكذا من الأصل

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Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
55	30	Anglo-Dominion	30		—	—	—
41	33	Anglo Utd Dev.	35		bd[illegible] 05	2.1	4.3
350	117	♦Centennial Min's	162		—	—	—
120	48	♦Colby Res Corp	65		—	—	—
550	175	Cons. Murch 10c	215		Q[illegible]	3.9	9.7
60	24	♦Emmer Int. 10p	32		—	—	—
123	78	Greenwich Res	78	−1	—	—	—
215	115	Hampton Areas 10p	145	+3	3.75	0.9	3.5
260	135	♦Highwood Res	140		—	—	—
£22½	£15⅛	Homestake Mining $1	£15⅛	+¼	Q20c	—	0.9
310	155	♦McFinley Red Lake	220		—	—	—
335	195	♦Murco Exploration	260		—	—	—
55	23	♦New Sabena Res C$1	43		—	—	—
375	195	Northgate C$1	230	+5	—	—	—
685	507	RTZ	512	+5	†20.0	2.8	5.6
£145½	£114½	Do. 3½pc Ln '95-2000	£114½	−1	Q3½%	14.0	8.6
980	650	♦Tara Expln $1	862	−12	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3)
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ¤ No par value

B.Fr. Belgian Francs. Fr. French Francs. ◊◊ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	102	
Craig & Rose £1	600xd	
Finlay Pkg 5p	51	
Holt (Jos) 25p	710	
IoM Stm £1	70	−3

IRISH

Fund 11¾% 1986	£100⅝	+¼
Nat 9¾% 84/89	£95⅞	
Fin. 13% 97/02	£105⅞	+⅛
Arnotts	227xd	
CPI Hldgs	70	
Carroll Inds	150	
Dublin Gas	77	
Hall (R. & H.)	56	
Heiton Hldgs	23½	−½
Irish Ropes	45	
Unidare	130	

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LONDON STOCK EXCHANGE

MARKET REPORT

Share prices continue to fall but leaders stage good rally in late trade

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

It seemd midway through the trading session yesterday that an early continuation of the recent slide in share values had sapped investors' confidence. The FT-SE 100 share index was showing a loss of over 17 points, for a four-day fall of 57 points, and gave every indication at that time of falling further. Worries over the pending offer-for-sale of the Government's remaining holding in Cable and Wireless and concern ahead of the weekend Opec meeting were dragging the market down.

Shortly after 2.00 pm, however, an institutional buyer decided to commit funds. Several sizeable orders for top-quality stocks were placed and the effects were immediate. The prevailing air of uncertainty cleared and professional operators were hurried into closing short book positions. Short-term traders who had earlier showed little inclination to deal, began inquiring for "new-time" stock, despite increased premiums, and the market was revitalised.

Interest suddenly focused on Wall Street, although the Dow Jones' surge overnight to a record had been largely ignored in opening dealings. Its renewed buoyancy at the opening yesterday gave sentiment a further lift and investors started to view more optimistically the London market's prospects for the next trading Account. The FT-SE index finally regained much of the sharp fall to close a net 4.3 lower at 1,395.3. The FT Ordinary share index ended 5.4 down at 1,110.4, after 1,097.9.

Laura Ashley returned a handsome profit for successful applicants in the ballot for shares. First-time dealings brought a premium of 53p over the 135p offer-for-sale price after an opening price of 59p premium, or 194p. In line with market expectations, business was extremely active although it faded after an initial burst.

Easier Gilt futures quotations and a slightly lower pound against the dollar ensured a dull session in Government securities. Diminishing hopes of a cut in UK base rates before the year end deterred buyers and longer maturities drifted back after Wednesday's rally to close ½ lower in places. The shorts also gave ground with Exchequer 13 12¼ per cent 1990 closing ¼ off at 105⅞.

Banks above worst

A continuation of Wednesday's late selling prompted a severe mark-down among the major clearing banks. Losses stretched to double figures before the appearance of buyers helped restore a certain amount of composure. NatWest were the major casualty and dropped to 650p before closing a net 12 down at 658p; the group recently announced a free in-credit facility for customers. Barclays recovered well to close unchanged at 432p, after 422p, while Lloyds finished 5 down at 468p, after 458p.

Insurance issues finally regained much of the ground lost earlier in the day with the notable exception of Sun Alliance, 10 lower at 535p, after 528p. Falls among Lloyds brokers ranged into double figures at the close, Sedgewick ending 10 down at 348p. Among Life issues, Abbey Life were 7 cheaper at 203p, after 201p.

The other major market newcomer, advertising agency Abbott Meade Vickers, also staged a highly successful debut; the shares, heavily oversubscribed at the offer-for-sale price of 180p, opened at 195p and touched 213p prior to closing at 203p. In the Unlisted Securities Market, Technical Component Industries made a bright start, opening at 167p and advancing to 190p. Cranswick settled at 100p compared with the placing price of 95p, but Crusts closed at 72p against the placing price of 74p.

Leading Breweries rallied well from lower levels. Bass, down to 645p earlier on consideration of the slightly bearish statement that accompanied the full-year results, recovered to 653p—a net gain of 3. Allied-Lyons, sold down to 270p amid persisting fears that Elders' bid will incur a Monopolies Commission reference, reverted to the overnight 277p. Scottish and Newcastle eased 3 to 180p, after 177p, as takeover target Matthew Brown, 17 cheaper at 543p, failed to impress with the profits forecast included in its latest defence document.

Among Buildings, Tarmac, sold down to 358p at one stage, recovered strongly to close 4 dearer on balance at 372p, after 374p. Other leading issues managed to edge away from the day's lowest levels. RMC finished 6 off at 476p, after 474p, while Redland settled 4 cheaper at 343p, after 341p.

In the Chemical sector, potential shell situation British Benzol made fresh progress to 56p before profit-taking left the shares just 1½ better on balance at 51p.

A shade firmer at the outset, leading Stores soon reacted to nervous offerings and displayed some sizeable losses by midday; a useful rally developed during the afternoon, however, and most falls were usually reduced to a few pence. Burton performed particularly well and recovered from a day's low of 540p to settle 10 to the good on balance at 555p. British Home Stores, down to 408p as hopes of a counter-bid faded, finished a net 12 cheaper at 414p, while proposed merger partners Habitat Mothercare closed only 2 off on balance at 500p, after 485p.

Following Plessey's rejection of GEC's bid proposals, the latter eased to 170p before settling 4 cheaper on the day at 172p. Plessey also closed at 172p, down 2. On reports that Mr Holmes a Court had disposed of his holding, Thorn EMI touched 410p before closing 15 cheaper at 414p. Ferranti ended a couple of pence cheaper at 136p on the interim profits standstill, but Racal revived with a rise of 4 to 166p. Cable and Wireless drifted off to close 5 cheaper at 605p.

Against the trend, Vickers, up 10 at 293p, and Vosper, a like amount dearer at 293p, reflected compensation hopes. Elsewhere in the Engineering sector, Victor Products advanced afresh to 140p on takeover suggestions before falling back on profit-taking to close unaltered on balance at 132p.

Leading Food shares, buoyed of late by takeover speculation and reports of strong consumer spending, presented a distinctly ragged picture mid-session as investors realised profits. However, an ensuing rally left many issues well above the day's lowest levels. Cadbury Schweppes finished a couple of pence off at 160p, having been down to 156p at one stage. United Biscuits, in the process of merging with Imperial Group, reacted to 248p before picking up to close only a penny cheaper at 255p. Imps were finally unchanged at 232p, after 228p. Unigate lost 7 at 217p, while further profit-taking in the wake of the annual results left Ranks Hovis McDougall 5 down at 169p. Rowntree Mackintosh provide an isolated bright feature in the sector, rising 8 to 413p on reported overseas buying interest. Among Retailers, Dee Corporation touched 285p in initial response to the excellent interim results, but subsequently reacted to 265p before closing a net 13 down at 270p.

The rally spread to Hotel shares where Grand Metropolitan recovered from 358p to close unchanged at 366p. Dealings in Dean Park resumed following the agreed offer worth £7m from Queens Moat Houses and the close was 55p compared with the suspension price of 54p. Queens Moat shed 2 to 65½p.

Resisting the cownward trend, Hanson Trust closed 3 higher at 210p following good preliminary figures and a proposed one-for-three scrip issue. Among other miscellaneous industrial leaders, BOC closed 10 lower at 299p reflecting comment on the results, while Trafalgar House encountered further selling and touched 358p before recovering to close at 363p, only 3 down on the day. Boots touched 236p at one stage but rallied smartly to close a couple of pence lower at 245p; the latter announced yesterday that discussions were taking place for the acquisition of Glaxo's wholly-owned subsidiary, Farley Health Products. Elsewhere, disappointing interim figures left Scappa Group 25 down at 393p. Bodycote, reflecting hopes of a successful rights issue, advanced 8 to 176p, while Christies International, an old takeover favourite, resisted the trend to close 5 up at 288p, after 293p. Satisfactory half-year results prompted a rise of 4 to 136p in Hargreaves Group, but Smith and Nephew closed 4 lower at 209p after interim figures. English China Clays fell away to 286p before recovering on revived takeover speculation to 295p, up a penny on the day.

Lucas Industries, which recently announced severe cutbacks at its electrical division, ran back 8 to 430p.

Saatchi and Saatchi continued to react to profit-taking in the wake of the preliminary figures and dipped 10 more to 725p, after 720p, to record a two-day decline of 30. In Paper/Printings, Ireland's Jefferson Smurfit returned to favour and attained a 1985 peak of 114p before settling a net 8 to the good at 112p. Richard Clay, currently in receipt of an agreed counter-bid from market newcomer St Ives, gave up a few pence to 212p, as original suitor McCorquodale, 5 lower at 145p, abandoned its offer.

Southend Stadium firmed 2 more to 97p amid rumours that Yelverton had sold its near 30 per cent stake in the company for at least 100p per share.

In Shippings, P&O Deferred, down to 422p at one stage, recovered to close only 6 off on balance at 430p. Ocean Transport, still regarded as a possible takeover target for P&O, rose 4 to 186p.

Tootal dipped to 75p before closing 7 cheaper on balance at 77p as Entrad placed its near-30 per cent stake with clients of stockbrokers Laing and Cruickshank. Elsewhere in quietly dull Textiles, Courtaulds dipped to 183p before settling only 2 off on balance at 187p. Further consideration of the respective interim statements left Lister 4 off at 65p, and Illingworth Morris 2 easier at 94p.

Britoil rally

A firm showing by crude oil spot markets in front of the OPEC meeting which commences in Geneva at the weekend helped leading oils open a shade firmer and edge higher in initial dealings. However, interest faded and the sector came under renewed pressure in mid-morning. Thereafter a minor rally developed and closing levels were narrowly mixed. BP rallied from 543p to close a shade firmer on balance at 547p, while Shell dipped to a 1985 low of 635p prior to ending unchanged on the day at 640p. News of an oil find in Block 16/13A in the North Sea lifted Britoil from an early 215p to 223p before a close of 220p, a net gain of 3. The oil discovery also boosted Berkeley Exploration, which has a 1.5 per cent stake in the well by 5 to 100p. Secondary oils provided a firm which jumped 13 to 40p following a flurry of speculative demand.

Activity in mining markets was generally confined to routine business. South African Golds and related issues were a shade easier at the outset, reflecting an early decline in the bullion price and a minor mark down of prices following modest overnight US selling. Sentiment gradually improved during the morning session when Johannesburg and Continental interest became evident, but quotations slipped back in the afternoon to close little changed on balance.

The Gold Mines index showed a 1.3 rise at 277.6.

The recent increases in domestic interest rates "down-under" caused a further minor setback in Sydney and Melbourne markets overnight. Consequently London dealers marked share prices easier at the outset before the early decline in sterling prompted a small recovery. Business thereafter was at a low level and the sector closed narrowly mixed.

Demand for Traded Options improved once again with 18,043 contracts done.

Hanson Trust attracted 876 calls and 237 puts following the preliminary results. Elsewhere, a lively and evenly-balanced business developed in the FT-SE 100 index contract which accounted for 2,097 calls, the December 1,450's proving particularly popular, and 2,249 puts.

FINANCIAL TIMES STOCK INDICES

	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Nov. 29	Nov. 28	year ago
Government Secs	83.43	83.79	83.56	83.96	83.81	83.95	83.54
Fixed Interest	†89.18	89.33	89.18	89.35	89.38	89.46	86.38
Ordinary ♥	1110.4	1115.8	1126.3	1124.4	1142.9	1133.0	908.4
Gold Mines	277.6	276.3	270.6	272.7	285.8	288.9	547.3
Ord. Div. Yield	4.44	4.41	4.37	4.36	4.30	4.32	4.69
Earnings, Yld. %(full)	11.02	10.96	10.85	10.84	10.68	10.74	12.01
P/E Ratio (net) (*)	11.20	11.25	11.36	11.38	11.56	11.49	9.99
Total bargains (Est.)	28,536	24,219	31,255	26,864	26,160	25,909	24,036
Equity turnover £m.	—	745.74	569.54	477.63	490.17	632.38	568.12
Equity bargains	—	23,356	24,763	24,864	22,506	25,324	27,675
Shares traded (ml)	—	342.8	274.3	220.7	240.4	287.2	331.5

♥ 10 am 1117.1. 11 am 1111.3. Noon 1104.9. 1 pm 1096.6. 2 pm 1098.9. 3 pm 1104.1. 4 pm 1106.9.

Day's High 1118.3. Day's Low 1097.9.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.79.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/85)	49.18 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.9 (25/11)	911.0 (25/7)	1146.9 (25/11/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	217.6 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 4	Dec. 3
Daily Gilt Edged Bargains	135.4	146.8
Equities Bargains	151.3	160.4
Equities Value	1507.3	1151.2
5 day Average Gilt Edged Bargains	143.7	146.2
Equities Bargains	166.6	162.4
Equities Value	1176.6	1112.9

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (22)

BRITISH FUNDS (1)
Exchqr. 2½pc '86

AMERICANS (1)
Campbell Soup

STORES (2)
Kent (John) · Moss Bros.

ELECTRICALS (1)
NEC Corp.

ENGINEERING (1)
Victor Products

FOODS (1)
Watson & Philip

INDUSTRIALS (5)
Bodycote Internatl. · Ryan Internatl. · Diploma · Watson (R. Kelvin) · Hargreaves

LEISURE (1)
Fairline Boats

PAPER (2)
Goodhead Print · Smurfit (Jefsn.)

PROPERTY (5)
Estates & Agency · Trencherwood · Grainger Trust · Wates City of London · Southend Stadium

TEXTILES (1)
Lyles (S.)

TRUSTS (1)
Rights & Issues Cap.

NEW LOWS (44)

BRITISH FUNDS (1)
Excher. 10½pc Cnv. 1989 (£40 paid)

AMERICANS (1)
Corporate Data

BANKS (1)
Gerrard & National

CHEMICALS (1)
Scot. Agricl. Inds.

STORES (1)
Bedford (Wm.)

ELECTRICALS (3)
Kode Internatl. · Multitone Elects. · Lec Refrigeration

FOODS (1)
Normans

INDUSTRIALS (9)
Bespak · Morris (W.) Fine Arts · Boot (H.) · Rooner · Combined Tech. · Securicor · Eastern Produce · Spong · Fertil-A-Chron

INSURANCE (2)
Abbey Life · Dewey Warren

PAPER (1)
ATA Selection

SHIPPING (1)
Lyle Shipping

SHOES (1)
Garnar Booth

TRUSTS (6)
City & For. Inv. · Viking Resources · Plantation Trust · Haw Par · TR Natural Res. · Kakuzi

OILS (8)
Claremont Petrol. · Southwest Resources · LASMO · Tricentrol · Oliver Resources · Do. 11pc Cnv. Ln. 1995-05 · Petrogen Petroleum · Shell Transport

OVERSEAS TRADERS (2)
Harrisons Crosfield · Sime Darby

PLANTATIONS (3)
Highlands Lowlands · Williamson Tea · Plantation Gen. Invs.

MINES (2)
Grenwich Resources · RTZ 9½pc Ln '95-00

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Abbott Mead Vickers	203	—
Ashley (Laura)	188	—
Aspinall	173	+ 1
BOC	299	−10
Boots	240	− 7
British Benzol	51	+ 1½
British Home Stores	414	−12
Brown (Matthew)	543	−17
Dee Corp	270	−13
Habitat Mothercare	500	− 2
Royal Insce	756	− 2
Scapa	393	−25

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
Brit Home Strs	24	426	+ 4
Burton	19	545	− 3
GEC	18	176	−10
Plessey	17	174	—
Royal Bk Scot	17	272	−14
BOC	15	309	− 8
Boots	15	247	− 4
BP	15	545	−10
Grand Met	15	366	−10
Pegler - Hatt'ly	15	317	−11
Utd Biscuits	15	256	—
Trafalgar Hse	15	368	−18

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 26	Apr 7

For rate indications see end of Unit Trust Service

Money was given for the call of Stakis, Laura Ashley, Pavlo, Coloroll, Barker and Dobson, Trusthouse Forte, Sears, GEC, STC, Boots and Combined Technologies. No puts were reported, but a double was taken out in Coloroll.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	95	12
Corpns. Dom. and Foreign Bonds	0	29	54
Industrials	158	585	745
Fin. and Props.	64	171	330
Oils	21	20	85
Plantations	0	7	11
Mines	47	29	110
Others	109	46	92
Totals	401	983	1,439

RECENT ISSUES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+or
32	Nil	10/1	4pm	1½pm	Readiout 5p	1½pm	
260	Nil	24/1	190pm	110pm	Regalian Props.	110pm	+10
240	Nil	20/1	46pm	35pm	Samuelson Grp. 20p	35pm	
187	Nil	8/1	36pm	24pm	Wedgwood	26pm	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. H Dividend and Yield based on prospectus or other official estimates for 1986. u Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thurs Dec 5 1985

[illegible]

FIXED INTEREST

[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$320	42	15	—	—	—	—	$333
GOLD C	$340	11	4.60 A	—	—	—	—	"
GOLD P	$320	50	6	—	—	—	—	"

[illegible]

TOTAL VOLUME IN CONTRACTS: 40,954

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
B.P. (*548)	500	56	78	—	3½	13	—
	550	25	35	52	18	37	40
	600	7	16	26	55	67	70
Cons. Gold (*477)	460	42	52	66	15	32	42
	500	17	26	35	47	60	67
	550	7	15	22	87	[illegible]	[illegible]
	600	1½	—	—	—	[illegible]	[illegible]
Courtaulds (*186)	140	49	53	57	1	[illegible]	[illegible]
	160	29	33	37	1	[illegible]	[illegible]
	180	11	19	24	5	[illegible]	[illegible]
	200	5	10	13	18	[illegible]	[illegible]

[illegible]

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
P. & O. (*428)	360	80	—	—	1	—	—
	390	63	55	—	2	5	—
	420	33	38	65	12	17	22
	460	15	20	25	35	40	42
Racal (*166)	120	50	56	—	1	2	—
	130	40	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

December 5 Total contracts 18,043 Calls 11,519 Puts 6,524

*Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Dec. 5	Price Sch%	+ or −
Creditanst'lt ppd	428	—
Goesser	575	−10
Interunfall	1,450	−25
Jungbunzlauer	—	
Laenderbank	396	
Perlmooser	775	−5
Stey-Daimler	163	−2
Veitscher Mag	925	+5

BELGIUM/LUXEMBOURG

Dec. 5	Price Frs.	+ or −
B.B.L.	2,500	−50
Banq. Gen. Lux	9,600	+100
Banq. Int.A.Lux	8,100	
Bekaert	9,000	
Ciment CBR	2,845	+25
Cockerill	207	+4
Delhaize	8,800	+50
EBES	3,905	−5
Electrobel	12,200	+125
Fabrique Nat.	2,100	+10
GB Inno BM	4,980	
GBL (Brux)	2,555	−5
Gevaert	5,210	+130
Hoboken	5,800	+60
Intercom	2,960	+25
Kredietbank	12,000	−500
Pan Hldgs	9,930	
Petrofina	7,100	+50
Royale Belge	18,000	
Soc. Gen. Banq.	4,560	+15
Soc. Gen. Belge	2,240	−30
Sofina	8,360	+30
Solvay	6,130	+20
Stanwick Intl	870	
Tractionel	5,130	+90
UCB	5,800	+60
Wagon Lits	4,100	−20

DENMARK

Dec. 5	Price Knr %	+ or −
Andelsbanken	595	+15
Baltic Skand	600	+20
Cop Handelsb'nk	332xr	+17
D. Sukkerfab	49 5	+5
Danske Bank	384	+13
De Danske Luft	1,480	
East Asiatic	243	+5
Forenede Brygg	1,075	
Forenede Damp	220	−5
GNT Hld	640	+30
I.S.S.B.	560	
Jyske Bank	740	
Novo Inds	1,250	+25
Privatbanken	329	+10
Provinsbanken	474	
Smidth (F.L.) B	331	
Sophus Berend	980	
Superfos	371	−3

FRANCE

Dec. 5	Price Frs.	+ or −
Emprunt 4½% 1973	1,430	+1
Emprunt 7% 1973	7,555	+1
Accor	288	+8
Air Liquide	610	+6
BIC	508	+17
Bongrain	1,628	−5
Bouygues	851	+3
BSN Gervais	2,499	+11
CIT Alcatel	1,440	+40
Carrefour	2,880	+79
Club Mediter'n	486	+23.5
Cie Bancaire	812	+4
Cofimeg	309	+3.9
Damart	2,010	+65
Darty	1,890	
Dumez S.A.	829	
Eaux (Cie Gen)	779	+9
Elf-Aquitaine	225	+0.5
Essilor	2,140	+50
Gen.Occidentale	719	+9
Imetal	77.8	−0.2
Lafarge Coppee	675	+23
L'Oreal	2,850	+65
Legrand	2,460	+70
Maisons Phenix	198	−5
Matra S.A.	1,600	−10
Michelin B	1,610	+30
Midi (Cie)	3,780	+100
Moet-Hennessy	2,191	+86
Moulinex	71.2	+0.2
Nord Est	135.5	+2.6
Pernod Rica	765	+35
Perrier	436	+5
Petroles Fra.	310	−4
Peugeot S.A.	472	+8.5
Printemps (Au.)	345.2	+1.2
Radiotech	405	+27
Redoute	1,899	+59
Roussel-Uclaf	1,657	+77
Sefimeg	378	−1
Skis Rossignol	1,420	
Telemec Elect	2,775	+85
Thomson (CSF)	690	+15
Valeo	365	+33

GERMANY

Dec. 5	Price Dm.	+ or −
AEG	225.20	+0.20
Allianz Vers	1,776	−1
BASF	264.30	+0.10
Bayer	252.00	−0.5
Bayer.Hypo	470	+11
Bayer-Verein	465	+7
BHF-Bank	488	−40
BMW	555	−10
Brown Boveri	295.50	−4.50
Commerzbank	271.50	−1.30
Cont'l. Gummi	160.20	+0.8
Daimler-Benz	1,156.50	−12.0
Degussa	427	−3
D'sche Babcock	206.5	−8.5
Deutsche Bank	702	−7.8
Dresdner Bank	343.80	−1.4
GHH	217.80	−0.2
Henkel	397	+20
Hochtief	785	+5
Hoechst	255	
Hoesch Werke	161	−2.9
Holzmann (P)	470	−15
Horten	223	
Hussel	416	+6
Karstadt	329	−4
Kaufhof	339	−3
KHD	305.20	−1.8
Kloeckner	94.50	+1.5
Linde	579	+7
Lufthansa	210	−9
MAN	195	+9.5
Mannesmann	263.50	+1
Mercedes Hld	1,050	−19
Metallgesell	298	−12
Muench Rueck	2,380	+40
Nixdorf	551	+3
Porsche	1,260	−20
Preussag	240	+5
Rhein West Elect	193.50	+4.50
Rosenthal	317.50	−0.5
Schering	620.60	+0.5
Siemens	641.0	−6.2
Thyssen	170	−2
Varta	285	−1.8
Veba	272	−0.5
V.E.W.	140	−1
Verein-West	355	+1
Volkswagen	404.80	+3.8

ITALY

Dec. 5	Price Lira	+ or −
Banco Com'le	24,950	−240
Bastogi-IRBS	501	−11
Centrale	3,680	−69
C.I.R.	6,350	
Credito Italiano	3,260	−31
Fiat	5,260	+46
Generali Assicur.	74,500	−400
Italcementi	53,050	+100
La Rinascente	1,031	−24
Montedison	2,620	+28
Olivetti	8,199	−101
Pirelli Co	6,413	−17
Pirelli Spa	3,361	+11
Saipem	7,255	−45
Snia BPD	5,099	−57
Toro Assic	24,400	+300

NETHERLANDS

Dec. 5	Price Fls	+ or −
ACF Holding	265.5	+8.5
AEGON	111.8	+1.1
Alhold	75.7	+1.0
AKZO	137	+1.0
ABN	540	+5
AMEV	80.3xc	+1.5
AMRO	97.0	+0.6
Bredero Cert	194.8	+0.8
Bos Kalis Westm.	16.2	+0.3
Buehrmann-Tet.	120.5	+1.8
Calland Hlgs	28.0	+0.2
Dordtsche Pet'm	165.3	−1.6
Elsevier-NDU	168	+3
Fokker	74	+1
Gist Brocades	252.5	+3
Heineken	217.5	+4
Hoogovens	75.3	+0.5
Int Mueller	67.7	+2.3
KLM	66.1	+1.4
KNP	113	+1.0
Naarden	60.0	+1.5
Nat Ned Cert	81.6	+0.6
Ned Mid Bank	221.5	+1.5
Nedlloyd	205.2	+1.4
Oce Grinten	378	+5
Ommeren (Van)	29.7	+0.5
Pakhoed	81.5	−0.4
Philips	57.4	+0.7
Robeco	80.5	+0.7
Rodamco	134.9	−0.1
Rolinco	71.7	+1
Rorento	46.9	+0.2
Royal Dutch	176.0	−1.4
Unilever	389	+5
VMF Stork	254	+4
VNU	278.0	+4.5
Wessanen	227	+0.5
West Utr Bank	89.0	−0.5

NORWAY

Dec. 5	Price Kroner	+ or −
Bergens Bank	169	+1
Borregaard	455	+2.5
Christiania Bank	180	+1.5
DenNorske Cred	182	+2
Elkem	109	+4
Kosmos	181	−4
Kvaerner	192.5	+7.5
Norsk Data	448	+5.5
Norsk Hydro	152.5	+3.5
Storebrand	290	+8

SPAIN

Dec. 5	Price Pta %	+ or −
Bco Bilbao	412	−3
Bco Central	380	−2
Bco Exterior	204	
Bco Hispano	155	+1
Bco Popular	416	−2
Bco Santander	399	
Bco Vizcaya	570	
Dragados	133.5	−5.5
Hidrola	81.7	−0.5
Iberduero	106	−1
Petroleos	140	
Telefonica	136.5	

SWEDEN

Dec. 5	Price Kronor	+ or −
AGA	168	−2
Alfa-Laval B	249	+7
ASEA (Free)	320	+8
Astra (Free)	496	
Atlas Copco	164	
Cardo (Free)	276	+4
Cellulosa	155	−1
Electrolux B	177	+1
Ericsson B	203	−10
Esselte	445	
Mo och Domajo	178	−3
Pharmacia	187	−1
Saab Scania Free	495	−5
Sandvik	620	
Skandia	293	−1
Skan Enskilda	69.0	+0.5
SKF	256	−2
Sonneson	150xr	−1
Stora Kopparbrg	164	−1
Sven Handlesbn	213	+3
Swedish Match	225	+3
Volvo B (Free)	295	+3

SWITZERLAND

Dec. 5	Price Frs.	+ or −
Adia Intl	4,470	−30
Alusuisse	655	+5
Bank Leu	4,160	+35
Brown Boveri	1,800	+35
Ciba Geigy	3,625	+85
do. (Part Certs)	2,880	+80
Credit Suisse	3,485	+25
Elektrowatt	3,525	
Fischer (Geo.)	1,100	+15
Hoff-Roche PtCts	115,250	+875
Hoff-Roche 1/10	11,500	+50
Jacobs Suchard	7,475	+25
Jelmoli	3,800	+50
Landis & Gyr	2,230	+5
Nestle	7,925	+50
Oer-Buehrle	1,370	+20
Pirelli	370	
Sandoz (Br)	9,950	+250
Sandoz (Pt Cts)	1,585	+40
Schindler (PtCts)	900	−10
Sika	1,830	+30
Surveillance A	5,900	
Swissair	1,555	+25
Swiss Bank	522	+2
Swiss Reinsce	12,700	+100
Swiss Volksbk	2,360	+10
Union Bank	4,920	+50
Winterthur	4,990	+20
Zurich Ins	5,740	+40

AUSTRALIA

Dec. 5	Price Aust $	+ or −
ANZ Group	4.76	+0.01
Ampol Pet	2.2	
Ashton	1.15	+0.01
Aust. Cons. Ind	2.75	−0.05
Aust. Guarantee	2.5	
Aust. Nat. Ins	2.56	+0.01
APM	2.85	−0.02
Bell Group	11.8	+0.02
Bell Res	4.9	+0.01
Bond Corp Hldgs	2.55	+0.01
Boral	3.13	−0.01
Bougainville	1.81	+0.01
Brambles Inds	4.25	−0.01
Bridge Oil	1.9	−0.01
B. H. Prop.	8.40	−0.04
CRA	5.26	−0.04
CSR	3.57	+0.01
Castlemaine Tys	8.0	
Coles (G.J.)	4.15	
Comalco "A"	1.65	+0.05
Consolidated Pet	0.58	
Costain Aust	2.0	
Dunlop Olympic	2.28	−0.05
Elders IXL	2.95	+0.05
Energ Res	1.6	+0.01

AUSTRALIA (continued)

Dec. 5	Price Aust $	+ or −
Gen. Prop. Trust	2.1	−0.05
Hardie (James)	3.18	−0.02
Hartogen Energy	2.05	+0.05
Herald W'yTimes	5.5	−0.18
ICI Aust	2.1	−0.02
Jimberlana F.P.	0.23	−0.01
Kia Ora Gold	0.15	−0.01
Lend Lease	6.04	+0.04
MIM	2.42	
Mayne Nickless	3.15	
Myer Emporium	3.4	+0.05
Nat. Aust. Bank	4.7	
News	8.5	
Nicholas Kiwi	2.28	−0.02
NorandaP'c:P.pd	0.68	
North Bkn Hill	2.17	−0.03
Oakbridge	1.24	−0.02
Pancontinental	1.65	+0.05
Pioneer Conc	2.2	
Poseidon	3.45	
Queensland Coal	1.49	
Reckitt & Colman	3.65	
Repco	1.35	
Santos	5.62	+0.14
Smith (Howard)	4.5	+0.08
Thos. Natwide	2.40	−0.01
Tooth	5.6	
Vamgas	3.00	−0.15
Western Mining	3.12	+0.01
Westpac Bank	4.55	
Woodside Petrol	1.22	−0.02
Woolworths	3.32	
Wormad Intl	3.65	

HONG KONG

Dec. 5	Price H.K.$	+ or −
Bank East Asia	23.7	
Cheung Kong	19.9	
China Light	14.8	
Evergo	0.66	
Hang Seng Bank	45.75	
Henderson Land	2.17	
HK China Gas	13.5	+0.5
HK Electric	8.25	−0.05
HK Kowloon Wh.	7.25	
HK Land	6.4	
HK Shanghai BK.	7.55	−0.05
HK Telephone	9.75	−0.05
Hutchison Wpa	25.4	−0.4
Intnl. City	0.99	
Jardine Math	13.3	
New World Dev.	8.3	+0.1
Orient O'seas	1.99	
SHK Props	12.5	
Shell Elect	0.91	
Swire Pac A	28.7	−0.2
TV—B	6.5	
World Int. Hldgs.	2.55	

JAPAN

Dec. 5	Price Yen	+ or −
Ajinomoto	1,100	
All Nippon Air	666	−6
Alps Electric	1,790	+70
Asahi Chem	779	−8
Asahi Glass	884	+21
Bank Tokyo	723	−2
Bridgestone	520	
Brother Inds	580	+1
Canon	1,160	+40
Casio Comp	1,860	+20
Chugai Pharm	925	−3
Daiei	700	−1
Dia-Ichi Kan. Bk.	1,480	+10
Dia Nippon Ink	326	−6
Dia Nippon Ptg	1,310	+40
Diawa House	889	+4
Diawa Sec.	778	−2
Eisai	1,270	−10
Fanuc	7,440	+50
Fuji Bank	1,460	
Fuji Film	2,050	+30
Fujisawa	828	+10
Fujitsu	1,080	+50
Furukawa Elect.	342	+1
Green Cross	2,090	
Heiwa Real Est	804	−9
Hitachi	747	+37
Hitachi Credit	1,100	
Honda	1,190	+10
Indl. Bk. Japan	1,030	
Ishikawajima Hr.	160	−1
Isuzu Motors	341	+1
Itoh (C)	380	−13
Ito. Yokado	3,000	−70
JAL	7,360	+100
Jusco	951	+1
Kajima	467	
Kao Soap	980	+14
Kawasaki Steel	137	−2
Kirin	729	−1
Kobe Steel	178	+2
Komatsu	498	+3
Konishiroku	704	+8
Kubota	332	+2
Kumagai	721	+11
Kyocera	4,240	+190
Marubeni	308	−4
Marui	1,520	
Mazda Motors	405	+10
Meiji Seika	530	−6
MEI	1,230	+60
M'bishi Bank	1,460	−10
M'bishi Chem	506	
M'bishi Corp	561	−10
M'bishi Elect	360	+12
M'bishi Estate	1,080	−30

JAPAN (continued)

Dec. 5	Price Yen	+ or −
MHI	353	
Mitsui Bank	980	−20
Mitsui	400	−5
Mitsui Estate	990	−10
Mitsui Toatsu	314	+8
Mitsukoshi	635	
NGK Insulatosrs.	897	+10
Nikko Sec.	719	−1
Nippon Denso	1,400	+10
Nippon Elect	1,350	+50
Nippon Express	558	−2
Nippon Gakki	1,690	+20
Nippon Kogaku	1,060	+10
Nippon Kokan	131	+1
Nippon Oil	770	−2
Nippon Seiko	543	+23
Nippon Shimpan	740	+15
Nippon Steel	153	
Nippon Suisan	341	−1
Nippon Yusen	338	−1
Nissan Motor	572	
Nisshin Flour	497	−6
Nomura	1,020	−10
Olympus	1,010	
Onado Cement	315	+9
Orient Finance	920	
Orient Leasing	2,670	+150
Pioneer	1,690	+100
Ricoh	1,120	+10
Sankyo	1,040	−10
Sanwa Bank	1,320	
Sanyo Elect	403	+3
Sapporo	550	−19
Sekisui Prefab	838	−6
Seven-Eleven	9,400	−50
Sharp	928	+28
Shimizu Constn	361	−6
Shionogi	765	+10
Shiseido	1,330	−20
Showa Denko	217	+7
Sony	4,000	+110
S'tomo Bank	1,590	−10
S'tomo Chem	243	−4
S'tomo Corp.	710	+3
S'tomo Elect.	920	+20
S'tomo Metal	141	+1
Tasei Corp.	321	−4
Taisho Marine	618	
Taiyo Kobe Bank	715	
Takeda	905	+23
TDK	4,190	+130
Teijin	471	−9
Tca. Nenryo	1,080	
Tokai Bank	985	−5
Tokio Marine	875	+4
Tokyo Elect Pwr	2,310	+10
Tokyo Gas.	270	−6
Tokyu Corp	530	−10
Toppan Print	992	+27
Toray	508	
Toshiba Elect	377	+17
Toyo Seikan	1,690	
Toyota Motor	1,150	+10
UBE Inds	205	
Victor	1,470	+70
Yamaha	635	+3
Yamaichi Sec	719	
Y'mauonchiPhm	2,980	+20
Yamazaki	956	+1
Yasuda Fire	523	+4

SINGAPORE

Dec. 5	Price $	+ or −
Boustead Hldgs.	1.02	−0.28
Cold Storage	2.6	−0.25
DBS	5.05	−0.45
Genting	4.82	−0.68
Haw Par. Bros.	1.7	−0.25
Hong Leong Fin.	2.1	−0.37
Inchape Bhd	1.6	−0.3
Keppel Shipyard	0.87	−0.23
Malay Banking	4.7	−0.5
Malay Utd. Ind	1.64	−0.41
Multi Purpose	0.55	−0.21
OCBC	7.5	−0.7
OUB	2.35	−0.31
Public Bank	1.0	−0.25
Sime Darby	1.24	−0.21
Singapore Press.	5.55	−0.45
Straits Trdg.	2.09	−0.49
Tat Lee Bk	2.02	−0.59
UOB	2.91	−0.47

SOUTH AFRICA

Dec. 5	Price Rand	+ or −
Abercom	1.80	−0.05
AE&CI	9.7	+0.3
Allied Tech	57	−1
Anglo Am. Coal	57.5	−5
Anglo Am. Corp.	39.75	+0.5
Anglo Am. Gold	202	+9
Barclays Bank	17.50	−0.25
Barlow Rand	14.05	+0.85
Buffels	83.75	+0.50
CNA Gallo	2.05	
Currie Finance	5.0	
De Beer	16.90	
Driefontein	51.00	
FS Geduld	75.25	
Gold Fields A	37.75	
Highveld Steel	5.85	+0.20
Nedbank	8.50	−0.5
OK Bazaars	12	
Protea Hldgs	2.2	
Rembrandt	47.25	+0.25
Rust Plat	26.25	+0.25
Safren	11.80	−0.10
Sage Hldgs	9.90	+0.05
SA Brews	7.90	−0.10
Smith (CG)	23.75	
Tongaat Huletts	6.40	+0.10
Unisec	6.00	

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all.

CANADA

TORONTO
Prices at 2.30pm December 5

Sales	Stock	High	Low	Close	Chng
5329	AMCA Int	$18½	16¼	16½	+¼
2600	Aberford	$8⅝	8⅝	8⅝	+⅛
667	Abitibi Pr	$18	17½	17½	−½
4345	Acklands	$18¼	18¼	18¼	+¼
14140	Agnico E	$22⅝	22¼	22¼	−⅛
30430	Albrta En	$18¾	18½	18⅝	+⅛
37443	Albrta N	$15⅝	15½	15⅝	+⅛
203380	Alcan	$38	37⅞	37⅞	−¼
558	Algoma St	$20½	20½	20½	−¼
28200	Asamera	$13½	13¼	13½	+⅛
4980	Atco I f	$11¼	11⅛	11⅛	
566	BC Sugar A	$25	25	25	
4900	BGR A	$7⅞	7¼	7⅝	
814	BP Canada	$34⅜	34	34¼	+¼
14300	Banister C	$10	9¾	9¾	
125828	Bk BCol	$5¾	5½	5¾	+¼
57132	Bk Montl	$34¼	34	34⅛	
227901	Bk NScot	$14⅞	14⅝	14¾	+¼
40856	Barrick	172	168	170	+2
900	Baton A f	$20	19¾	20	+⅜
500	Baton B	$20	20	20	
153567	Bell Can	$42¾	42⅝	42⅝	−⅛
44300	Bluesky	365	365	365	−10
19425	Bonanza R	360	355	355	
38225	Bow Valy	$16	15⅝	15⅝	−⅜
7100	Bralorne	370	365	365	
186100	Bramalea	$17	16¾	16⅞	+⅛
8880	Brascan A	$35¼	35	35¼	+⅛
28800	Brkwater	$6⅝	6½	6½	
323216	BC ForP	$11⅛	10⅞	11⅛	+½
23720	BC Res	230	225	227	+1
10219	BC Phone	$26¼	25⅞	26	−¼
1000	Brunswk	$12¾	12½	12¾	+¼
11150	CAE	$17¼	17⅛	17¼	+⅛
65320	CCL B f	$15¾	15½	15½	−⅛
1300	CIL	$30⅝	30½	30½	−⅛
2150	Cad Frv	$14⅝	14⅝	14⅝	
62800	Cambridg	$19¼	19¼	19¼	
4255	Camp RLk	$32⅛	32	32	−¼
656	Camp Res	345	340	345	+5
1745	Camp Soup	$23⅞	23¾	23⅞	
2700	Campeau f	$26⅞	26⅞	26⅞	
3829	CCem ex p	$11¾	11⅝	11⅝	−⅜
13257	CDC f	$9⅞	9⅝	9¾	
100	Can Malt	$21	21	21	
1522	C Nor West	$25⅝	25¼	25⅜	−¼
118575	CanP Ent	$29⅛	28⅞	28⅞	−⅛
142324	C Packrs	$38¼	37½	38	−¼
100	CPerm B	$23	23	23	−½
116624	CI Bk Com	$43⅞	43¼	43¼	−⅛
28300	C Marconi	$21⅞	21⅝	21⅞	+⅛
14444	C Occdental	$26¼	26⅛	26¼	
386365	CP Ltd	$17⅞	17½	17¾	
177898	CTire A f	$10½	10	10½	+⅜
412235	CUtil A f	$19½	19⅜	19½	
9500	Canfor	$9	8⅞	8⅞	−⅛
3400	Canron A	$16¾	16⅝	16⅝	−⅛
2900	Cara	$18¾	18⅝	18⅝	−⅛
3000	Cara A f	$18½	18½	18½	
1905	Carl OK	$12¾	12½	12½	−¼
23500	Carma A	33	31	33	+2
4500	CentFd A	$5⅞	5¾	5⅞	
950	Centrl Tr	$14⅝	14⅜	14½	−⅛
20700	Chieftan	$13½	13⅜	13½	+⅛
200	CHUM B f	$41¼	41¼	41¼	+¼
64442	Cominco	$11⅛	10⅞	11⅛	+⅛
5250	Computlog	$12	11¾	11¾	−¼
5000	Comput In	293	293	293	
8500	Comterm	230	228	228	−2
19100	Con Bath A	$18¼	17½	18¼	+⅝
4000	CDistb B f	$5⅝	5⅜	5⅜	−⅛
1650	Cons Gas	$26	25¾	25¾	
700	Con Glass	$18	18	18	−¼
15600	CTL Bank	$11	10⅞	10⅞	−⅛
950	Conwst B	$7⅞	7⅞	7⅞	
200	Corby	$44½	44½	44½	
35015	C Falcon C	$15⅛	15	15⅛	+⅛
22500	Coseka R	285	278	285	
7000	Costain Ltd	$11⅝	11½	11⅝	
600	Crownx	$23	22¾	23	
123592	Crownx A f	$22¼	22⅛	22⅛	−⅛
3200	Czar Res	232	230	232	
26091	Daon Dev	$5¼	5⅛	5⅛	−⅛
22273	Denison A p	$16⅛	15⅞	16	+⅛
51794	Denison B f	$15	14½	14⅞	+⅜
1100	Develcon	$5⅛	495	5⅛	
4700	Dickrisn A f	$7⅞	7¾	7⅞	+⅛
3700	Dickrisn B	$7¾	7¾	7¾	−⅛
12558	Dofasco	$27⅞	27½	27¾	+⅛
17579	Dome Cda	$8⅝	8⅜	8⅜	−¼
336586	Dome Mine	$13¾	13¼	13⅝	+⅛
354747	Dome Pete	355	345	350	+5
32745	D Textile	$14⅝	14½	14⅝	+¼
8260	Domtar	$21¾	21¼	21¾	+½
1026	Du Pont A	$26¼	26¼	26¼	
6800	Dylex A	$14⅞	14¾	14⅞	+⅛
200	E-L Fin	$40	40	40	
3670	Echo Bay	$19¼	19	19⅛	−⅛
700	Emco	$22	22	22	
1000	Equity Svr	$7⅝	7½	7⅝	+⅛
3200	FCA Intl	$21⅜	21⅜	21⅜	
169100	Fcnbrdg	$18¾	18¼	18¾	+½
34320	Fed Ind A	$13⅝	13½	13⅝	+⅛
200	Finning A	$15¼	15¼	15¼	
200	Finning B f	$15	15	15	
10400	FCity Fin	$11	11	11	
155	Ford Cnda	$158	158	158	−1
4430	Gandalf	$10¼	10⅛	10¼	+⅛
9150	Gaz Metr	$11⅞	11¾	11¾	
300	Geac Comp	$7¼	7¼	7¼	
3500	Gendis A	$34½	34½	34½	−⅛
84830	Genstar L	$31	30⅝	31	+¼
9500	Giant Yk	$23	22⅞	23	+¼
1800	Gibritar	$8⅝	8½	8½	−⅛
9300	Goldcorp f	$6⅞	6¾	6⅞	
300	Grafton A f	$14½	14½	14½	
11600	GL Forest	$16½	16¼	16½	
3810	Greyhnd	$25½	25⅛	25⅛	−⅝
3500	GuarPA f	$11	11	11	−⅛
126826	Gulf Can	$20¼	20⅛	20⅛	
2400	Hawker	$21⅜	21⅜	21⅜	−⅛
4227	Hayes D	$12½	12⅜	12½	−⅛
2030	Hees Intl	$23	22⅞	23	+⅛
15955	H BayMn s	$6⅞	6⅝	6⅞	+⅛
3879	H Bay Co	$26	25¾	26	
28350	Husky Oil	$9⅞	9¾	9⅞	
117846	Imasco	$26⅜	25⅞	26¼	+⅜
56036	Imp Oil A	$54⅞	54¼	54½	−⅛
63027	Inco	$18⅛	17⅞	18⅛	+⅛
1232	Indal	$19	19	19	
52960	Inland Gas	$11½	11⅜	11½	
4400	Innopac	$14¾	14⅝	14⅝	+¼
8101	Inter City	$17⅜	17⅛	17⅛	−⅛
68940	Intl Thom	$9½	9⅜	9½	
2525	Intpr Pipe	$44¾	44⅝	44⅝	−⅛
23850	Ipsco	$13¼	13	13	−¼
5700	Ivaco A f	$19⅞	19¾	19⅞	
100	Ivaco B	$20	20	20	−¼
37750	Jannock	$19¼	19¼	19¼	
520	Kerr Add	$16	15¾	15¾	
2050	Kiena Gld	$26½	26	26	−½
15623	Labatt	$32⅛	31¾	32	+⅛
[illegible]					
435	Rogers A	$11¼	11¼	11¼	+¼
62352	Rogers B f	$14⅝	14¼	14½	+⅜
8860	Roman	$15⅝	15¼	15¼	−⅛
687462	Royal Bnk	$35¼	34¾	34¾	−¼
13700	RyTrco A	$22⅞	22¾	22¾	−⅛
35002	Royex	195	186	195	
900	StL CemA f	$24¼	23⅞	23⅞	−⅛
14118	Sceptre	470	465	470	+5
[illegible]					
3850	MntTrst	$16¼	16⅛	16¼	+⅛
206070	NatBk Cda	$23¼	22⅞	23¼	+⅝
20420	Power Corp	$21¼	20⅞	21⅛	+⅜
43715	Provigo	$15¾	15⅝	15½	
100	RollandA	$17⅞	17⅞	17⅞	+⅛
29389	Royal Bank	$35	34⅝	35	+½
2700	SteinbrgA	$34¾	33½	33½	+⅝

F—No voting rights or restricted voting rights.

MONTREAL
Closing prices December 4

[illegible]

Total Sales 5,462,078 shares

Indices

NEW YORK–DOW JONES

	Dec 5	Dec 4	Dec 3	Dec 2	Nov 28	Nov 27	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,493.23*	1,484.40	1,459.06	1,457.91	1,472.13	1,475.69	1484.48 (4/12)	1184.96 (4/1)	1484.48 (4/12/85)	41.22 (2/7/32)
Transport	709.85*	709.62	698.78	687.27	690.13	693.17	709.62 (4/12)	553.83 (4/1)	709.62 (4/12/85)	12.32 (8/7/32)
Utilities	165.73*	165.62	163.83	163.62	164.03	164.44	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		153.1m	109.7m	103.3m	143.6m	143.6m	—	—	—	—

	Nov 22	Nov 15	Nov 8	Year Ago (Approx)
Ind Div Yield %	4.32	4.40	4.49	4.79

STANDARD AND POORS

	Dec 5	Dec 4	Dec 3	Dec 2	Nov 28	Nov 27	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	228.18*	227.24	223.58	223.10	225.21	225.77	227.24 (4/12)	128.24 (4/1)	227.24 (4/12/85)	3.62 (30/6/32)
Composite	205.87*	204.23	200.86	200.46	202.17	202.54	204.23 (4/12)	163.68 (4/1)	204.23 (4/12/85)	4.40 (1/6/32)

	Nov 20	Nov 13	Nov 6	Year Ago (Approx)
Ind div yield %	3.57	3.62	3.66	4.07
Ind. P/E Ratio	13.54	13.38	13.10	10.69
Long Gov Bond Yield	9.93	10.02	10.15	11.71

N.Y.S.E. ALL COMMON

Dec 5	Dec 4	Dec 3	Dec 2	1985 High	1985 Low
118.18*	117.70	115.88	115.63	117.70 (4/12)	94.60 (4/1)

RISES AND FALLS

	Dec 4	Dec 3	Dec 2
Issues traded	2,031	2,018	2,037
Rises	1,295	908	562
Falls	358	641	1,032
Unchanged	380	469	443

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Texaco	3,858,200	31⅜	+¾
Baxter Trav	3,435,800	15⅛	+⅜
Viacom	1,898,300	63½	+¾
Mid S Util	1,651,000	9⅞	+¼
AT&T	1,580,200	24	+⅜
Motorola	1,539,000	37½	+1⅜
AMR	1,524,100	42½	+1⅜
Westghse Elec	1,236,800	43⅜	+⅜
IBM	1,212,900	141⅞	+3¼
Exxon	1,207,200	54⅜	+1⅜

TORONTO

	Dec 5	Dec 4	Dec 3	Dec 2	1985 High	1985 Low
Metals & Minls.	2,008.6*	1,987.1	1,953.61	1,918.6	2190.7 (13/2)	1740.82 (31/10)
Composite	2,887.3*	2,884.0	2,848.43	2,834.3	2884.0 (4/12)	2348.5 (8/1)
MONTREAL Portfolio	140.08*	133.76	137.86	137.20	139.33 (19/7)	117.09 (4/1)

* Indicates pre-close figure

	Dec. 5	Dec. 4	Dec. 3	Dec. 2	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	986.2	987.4	986.7	988.2	1052.2 (25/10)	715.3 (7/1)
Metals & Minls. (1/1/80)	482.8	484.3	484.1	488.1	683.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	115.91	116.49	116.92	116.55	121.95 (26/11)	58.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2946.56	2950.64	2943.14	2862.96	2986.36 (25/11)	2080.7 (10/1)
DENMARK						
Copenhagen SE (3/1/83)	231.61	228.31	223.88	223.55	237.67 (24/10)	169.44 (8/1)
FRANCE						
CAC General (31/12/82)	249.6	245.4	242.7	245.1	249.7 (28/11)	180.9 (3/1)
Ind Tendance (28/12/84)	144.6	142.2	139.8	141.1	144.6 (5/12)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	582.15	584.82	574.58	571.84	601.88 (22/11)	382.88 (3/1)
Commerzbank (1/12/53)	1746.8	1728.2	1684.2	1689.2	1781.4 (4/11)	1111.6 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1693.91	1700.96	1664.06	1694.57	1762.51 (21/11)	1220.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	446.54	446.08	442.94	444.11	446.54 (5/12)	229.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12864.11	12811.2	12774.5	12796.9	13055.5 (15/10)	11545.2 (6/1)
Tokyo SE New (4/1/68)	1013.31	1007.76	1005.72	1007.81	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	238.9	236.5	234.8	239.2	239.7 (28/11)	185.8 (3/1)
ANP-CBS Indust (1970)	218.5	214.5	212.8	217.0	218.5 (5/12)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	404.60	397.29	394.54	396.38	412.88 (12/11)	298.18 (2/1)
SINGAPORE						
Straits Times (1966)	609.54	(c)	(c)	(c)	825.65 (7/8)	609.54 (5/12)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	—	1166.0	1138.9	1277.1 (25/11)	829.3 (5/8)
JSE Indust (28/9/78)	—	—	1031.0	1027.0	1049.2 (26/11)	767.1 (7/5)
SPAIN						
Madrid SE (28/12/84)	132.49	132.90	135.19	135.06	137.54 (21/11)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1605.94	1605.45	1612.72	1630.58	1630.58 (2/12)	1285.82 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	550.9	554.0	555.2	545.9	545.9 (2/12)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	245.7	242.7	245.6	245.7 (27/11)	184.6 (4/1)

** Saturday November 30: Japan Nikkei (12,779.5). TSE 1,008.49.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON
Chief price changes (in pence unless otherwise indicated)

RISES

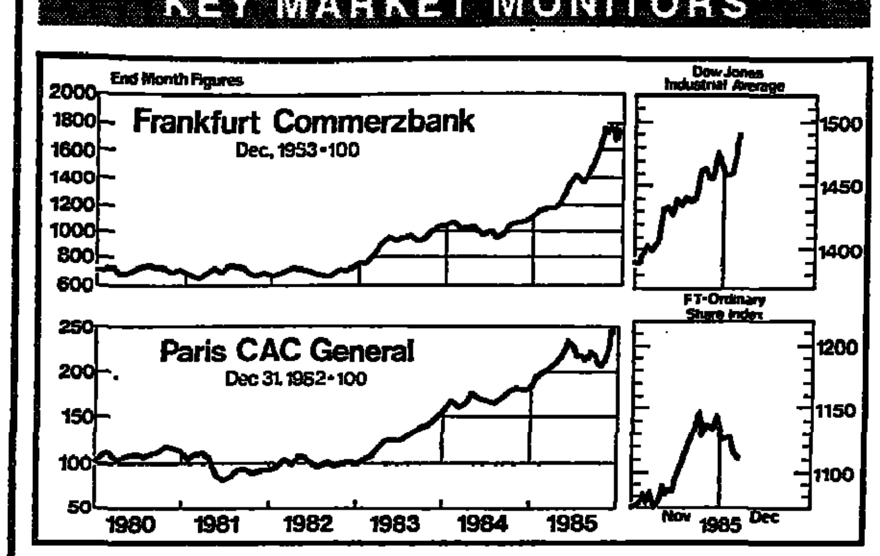
Berkeley Exp	100	+ 5
Bodycote Int	176	+ 8
Burton	555	+10
Edinburgh Oil	40	+13
Fairline Boats	93	+12
Rowntree Mack	413	+ 8
Vickers	293	+10
Vosper	235	+10

FALLS

Ex 12½% 1990	£105⁹⁄₁₆	− ¼
Tr 11¾% '03/07	£114½	− ⅜
BOC	299	−10
Birmingham	118	− 7
Mint	414	−12
Brit-Home St	270	−13
Dee Corp	172	− 4
GEC	430	− 8
Lucas Ind	658	−12
NatWest	454	−14
Rank Org	393	−25
Scapa	414	−15
Thorn EMI	77	− 7
Tootal		

FINANCIAL TIMES
WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 5	Previous	Year ago
NEW YORK			
DJ Industrials	1,495.76*	1,484.4	1,171.6
DJ Transport	709.74*	709.62	520.37
DJ Utilities	166.03*	165.62	144.80
S&P Composite	205.30*	204.23	162.10
LONDON			
FT Ord	1,110.4	1,115.8	908.4
FT-SE 100	1,395.3	1,399.6	1,175.8
FT-A All-share	675.97	679.76	564.55
FT-A 500	742.96	746.86	618.58
FT Gold mines	277.6	276.3	547.3
FT-A Long gilt	10.35	10.30	10.04
TOKYO			
Nikkei	12,864.11	12,811.2	11,543.2
Tokyo SE	1,013.3	1,007.76	882.40
AUSTRALIA			
All Ord.	986.2	987.6	737.5
Metals & Mins.	482.8	484.7	432.7
AUSTRIA			
Credit Aktien	115.91	116.49	58.53
BELGIUM			
Belgian SE	2,946.56	2,950.84	—
CANADA			
Toronto			
Metals & Minls	2,006.60*	1,997.14	1,861.00
Composite	2,887.3 *	2,884.0	2,358.9
Montreal			
Portfolio	140.08*	139.76	116.73
DENMARK			
SE	n/a	228.31	165.87
FRANCE			
CAC Gen	249.6	245.4	182.5
Ind. Tendance	144.8	142.2	100.6
WEST GERMANY			
FAZ-Aktien	592.15	584.82	377.32
Commerzbank	1,746.8	1,726.2	1,102.8
HONG KONG			
Hang Seng	1,693.91	1,700.96	1,136.08
ITALY			
Banca Comm.	446.54	446.08	213.7
NETHERLANDS			
ANP-CBS Gen	238.9	236.3	178.9
ANP-CBS Ind	218.5	214.5	141.7
NORWAY			
Oslo SE	404.6	397.29	279.57
SINGAPORE			
Straits Times	609.54	695.43	815.59
SOUTH AFRICA			
JSE Golds	–	1,195.5	1,046.0
JSE Industrials	–	1,036.2	963.2
SPAIN			
Madrid SE	132.49	132.9	99.34
SWEDEN			
J & P	1,605.94	1,603.45	1,362.20
SWITZERLAND			
Swiss Bank Ind	539.9	534.0	383.5
WORLD	Dec 4	Prev	Year ago
Capital Int'l	245.7	242.7	184.4

GOLD (per ounce)

	Dec 5	Prev
London	$322.75	$323.50
Zürich	$322.75	$324.45
Paris (fixing)	$327.01	$325.92
Luxembourg	$323.00	$324.25
New York (Feb)	$326.90	$325.70

CURRENCIES

(London)	U.S. DOLLAR Dec 5	U.S. DOLLAR Previous	STERLING Dec 5	STERLING Previous
$	–	–	1.48	1.4865
DM	2.519	2.519	3.7275	3.745
Yen	203.0	202.6	300.5	301.25
FFr	7.685	7.725	11.375	11.42
SFr	2.0955	2.095	3.1025	3.115
Guilder	2.8385	2.836	4.2	4.215
Lira	1,718.5	1,716.0	2,543.5	2,550.75
BFr	51.25	51.15	76.85	76.05
C$	1.39345	1.38905	2.0615	2.066

COMMODITIES

(London)	Dec 5	Prev
Silver (spot fixing)	410.00p	409.15p
Copper (cash)	£941.50	£922.50
Coffee (Jan)	£1,970.00	£1,917.50
Oil (spot Arabian Light)	$27.90	$27.90

INTEREST RATES

	Dec 5	Prev
Euro-currencies (3-month offered rate)		
£	11 11/16	11⅝
SFr	4⅛	4⅛
DM	4⅞	4⅞
FFr	10	10
FT London Interbank fixing (offered rate)		
3-month U.S.$	8¼	8¼
6-month U.S.$	8¼	8¼
U.S. Fed Funds	8¼*	9
U.S. 3-month CDs	7.90*	7.95
U.S. 3-month T-bills	7.24*	7.215

U.S BONDS

Treasury		Dec 5* Price	Dec 5* Yield	Prev Price	Prev Yield
8½	1987	100 7/32	8.463	100 6/32	8.48
9¾	1992	101 19/32	9.467	101 7/32	9.51
9½	1995	99 19/32	9.608	98 30/32	9.65
9⅞	2015	100	9.874	99 28/32	9.90

Treasury Index

Maturity (years)	Return index	Dec 5* Day's change	Yield	Day's change
1–30	133.96	−0.04	9.20	+0.01
1–10	131.56	−0.02	8.93	+0.01
1– 3	127.54	−0.01	8.46	+0.02
3– 5	133.31	+0.01	9.14	+0.01
15–30	142.51	−0.10	10.14	+0.01

Source: Merrill Lynch

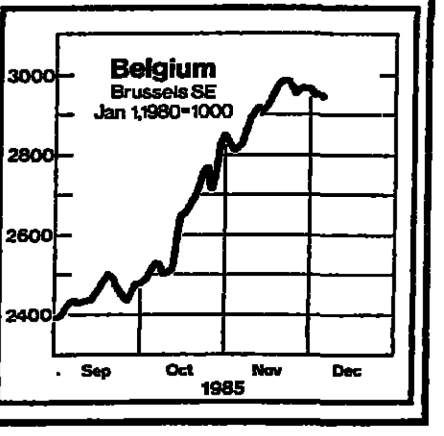
Corporate	Dec 5* Price	Dec 5* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101½	9.90	101½	9.90
3⅞ July 1990	85	7.85	83⅛	8.33
8¾ May 2000	87⅛	10.50	85⅝	10.73
Xerox				
10⅞ Mar 1993	101¾	10.20	101⅝	10.47
Diamond Shamrock				
10⅝ May 1993	100	10.625	99	10.80
Federated Dept Stores				
10⅞ May 2013	95½	11.20	94⅞	11.25
Abbot Lab				
11.80 Feb 2013	104⅛	11.30	103¼	11.40
Alcoa				
12¼ Dec 2012	103¼	11.85	103.00	11.90

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81–12	81–16	81–03	81–14
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.88	92.92	92.88	92.92
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.12	92.12	92.10	92.13
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.83	91.86	91.82	91.84
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111–24	112–00	111–20	112–07

* *Latest available figures*



WALL STREET

Futures fuel run-up to new peaks

A NUMBER of futures-related buy programmes underpinned a further broadly based advance by Wall Street stocks yesterday from the peak levels established late in the previous session, *writes Michael Morgan in New York.*

At 3pm the Dow Jones industrial average was up 11.36 at 1,495.76.

Volume remained heavy. By lunchtime, the total number of shares traded exceeded the daily average of about 107m so far this year.

The market opened firm but eased back after the first half hour. However, premiums on some stock index future contracts had widened sufficiently to trigger arbitrage programmes by which large investors sold the more expensive contracts to buy the underlying stocks.

In the credit markets prices of Treasury coupon issues were lower in quiet trading as attention continued to centre on the passage of the Gramm-Rudman budget balancing amendment in Congress. The market had expectations of a sharp rise in M 1 money supply scheduled to be released late in the day.

Federal funds opened at 8 5/16 per cent and later eased to trade at 8 3/16, at which level the Fed stepped in with the addition of temporary liquidity through a $2bn customer repurchase arrangement.

In the stock markets IBM traded up $½ to $142⅞, General Electric rose $½ to $66⅞ and Digital Equipment put on $2¼ to $126⅞. AT&T was unchanged at $24.

Texas Instruments, which had put on $3⅜ the previous day, added a further $2¾ to $108½.

The Dow transportation average, which surged more than 18 points on Wednesday to break its mid-July record high, continued to advance.

Among airlines UAL dipped $½ to $50¼, and AMR shed $⅝ to $42⅛, but Delta picked up $⅝ to $40⅞.

Railways saw a $1⅛ decline to $71¼ for Burlington Northern and a $⅜ fall to $51⅛ for Union Pacific.

Mixed November sales figures from the retailers left the sector lagging. Sears traded down $½ to $37¼.

J. C. Penney $⅞ to $54⅛ and Mercantile Stores $1¼ to $70⅝. K mart held unchanged at $34⅞ while Wal-Mart managed a $½ rise to $30¼.

Viacom International, the television, cable and radio group, was again actively traded, falling $5 to $58½ after a partnership controlled by two executives of JMB Realty Corp said it held the equivalent of a 13.45 per cent stake in Viacom for investment purposes. The announcement helped to dispel market rumours of a takeover that had been driving the stock higher in recent sessions.

Among other active issues, Texaco advanced $⅛ to $31⅞ as it filed motions to reverse the $10.5bn judgment against it won by Pennzoil. The Pennzoil stock was down $1⅜ at $64.

General Dynamics picked up $¼ to $67 as the US navy extended the deadline on bids for four nuclear-powered submarines in an apparent attempt to allow the company into the bid race. Just 24 hours before the company was suspended from receiving any new government contracts.

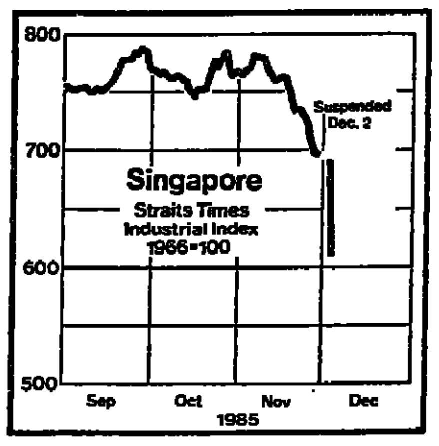
The Detroit car makers were firm, with Ford $⅜ higher at $56, Chrysler up $⅛ at $44½ and General Motors $⅛ ahead as it offered financial incentives to boost sales of some models.

Amerada Hess rose $⅛ to $27⅞ in the wake of its announcement of a $430 after-tax charge against fourth-quarter earnings.

Times Mirror climbed $1⅛ to $51¼ after announcing it was selling an 80 per cent stake in Publishers Paper, its newsprint operation to Jefferson Smurfit, the Irish packaging group.

In the credit markets, bond prices were lower. The price of the key long bond, the 9⅞ per cent of 2015, fell 4/32 to 99 31/32 while the 9½ per cent note, due in 1995, was 5/32 down at 99 7/32.

In the money markets, the three-month bill, yielding 7.23 per cent, was up 3 basis points while the six-month bill, yielding 7.30 per cent, was 2 basis points higher. Rates on certificates of deposit were up to 6 basis points higher.



SINGAPORE

Sharp fall follows reopening

NERVOUSNESS was evident in Singapore as the market reopened after its unprecedented three-day closure.

The Straits Times industrial index plummeted 82.77 to 609.54, its lowest level since September 26 1982. The drop was the worst in the history of the exchange.

Buyers were noticeably lacking as unconfirmed rumours about financial problems at other publicly listed companies mushroomed after last Saturday's collapse of Pan-Electric Industries.

The gallery was packed as small-time investors watched blue chips fall by between 10 and 15 per cent.

Singapore Press dropped 45 cents to S$5.55, Straits Trading 49 cents to S$2.09 and Genting 68 cents to S$4.32.

In banks, OCBC shed 70 cents to S$7.50, UOB 47 cents to S$2.91, Malayan Banking 50 cents to S$4.70 and OUB 31 cents to S$2.35.

Brokers said the decline was expected to continue for some time.

HONG KONG

MIXED market sentiment left prices in Hong Kong mostly unchanged, but the Hang Seng index fell 7.05 to close at 1,693.91.

Speculative interest in Hongkong Gas lifted the issue 30 cents to HK$13.50, and in other utilities China Light ended unchanged at HK$14.80 while Hongkong Telephone faded 5 cents to HK$9.75.

Elsewhere, Cheung Kong and Hongkong Land were steady at HK$19.90 and HK$6.40 respectively while Swire Pacific fell 20 cents to HK$28.70 and Hongkong Bank lost 5 cents to HK$7.55.

TOKYO

Interest shifts to blue chips

BLUE-CHIP electricals and biotechnology issues were bought on the strength of a strong overnight rally on Wall Street, boosting prices sharply in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average gained 52.91 to 12,864.11 on a volume of 346m shares, up from 301m on Wednesday. Advances led declines by 423 to 371, with 147 issues unchanged.

Market interest shifted to blue chips from small-capital high-technology issues, which had been sought for quick profits over the past few weeks in the absence of fresh incentives.

Investors, taking their cue from NEC's late rise on Wednesday and a record-breaking session on Wall Street, selected blue chips. NEC climbed Y50 to Y1,350 with the busiest trading volume of 15.42m shares. Hitachi, second biggest with 8.90m shares, gained Y37 to Y747.

Shin-Etsu Chemical added Y40 to Y938, Toshiba Y17 to Y377, Sumitomo Electric Y20 to Y920, Fujitsu Y50 to Y1,080, Canon Y40 to Y1,160 and Nitto Electric Y120 to Y1,780.

Sato Kogyo firmed Y12 to Y376 on news that the Ministry of Finance would incorporate the construction of a trans-Tokyo Bay expressway and other projects into the fiscal investments and loans programme for fiscal 1986. Daito Kogyo added Y18 to Y340.

Some biotechnology-related stocks regained their buoyancy, with Takeda Chemical moving up Y23 to Y905, Kuraray Y20 to Y1,460 and Yamanouchi Y20 to Y2,980.

Speculators continued to seek high-priced stocks for capital gains. Secom soared Y310 to Y5,100 and Tokyo Electron Y240 to Y3,390.

Conversely, Sumitomo Metal Mining, strong on Wednesday, shed Y40 to Y1,660 on profit-taking.

Some market sources expect the market to stage a blue chip-led rally towards the year-end, but institutional investors and corporations remained cautious because of the uncertain outlook for interest rates in Japan and overseas.

Bond prices eased after rising for several weeks, despite the dollar's slide to below Y203

The investor hesitation reflected concern over precariously high prices and tenders for a total of Y400bn of two and four-year government bonds, which were invited yesterday.

The yield on the benchmark 6.8 per cent government bond due in December 1994 went up to 6.170 per cent from 6.150 per cent.

LONDON

Late rally fails to stem tide

A LATE rally by leading issues buoyed London although most shares continued to fall after trading lower early in the session.

The FT Ordinary share index ended 5.4 down at 1,110.4, and the FT-SE 100 lost 4.3 to 1,395.3 after recording a drop of 17 points earlier in the session.

Sentiment strengthened late in the day as several sizeable orders for top-quality stocks were placed and the effects took hold immediately.

Laura Ashley returned a handsome profit for successful applicants in the ballot for shares, bringing a premium of 53p over the 135p offer-for-sale price after an opening price of 59p premium or 194p.

Easier gilt futures quotations and a slightly lower pound against the dollar ensured a dull session in government securities. Longs drifted down by about ⅜, and shorts ended around ¼ easier.

Chief price changes, Page 47; Details, Page 46; Share information service, Pages 44–45

AUSTRALIA

RESOURCE issues led Sydney lower yesterday. The All Ordinaries index eased 1.5 to 986.0.

Disappointment that Mr Robert Holmes à Court failed to make clear his intentions towards BHP at the Bell Resource s annual meeting on Wednesday spread throughout the market.

BHP fell to a low of A$8.32 early in the day but recovered to end 4 cents easier at A$8.40. Bell Resources and Bell Group were both firmer, with the former gaining 10 cents to A$4.90 and the latter 20 cents to A$11.80.

CANADA

AFTER yesterday's surge to record heights, Toronto found it difficult to retain gains, and stocks began to ease slightly.

TransCanada Pipelines was active, moving C$¾ lower to C$31¼ after news of a planned writedown. Canadian Pacific, also heavily traded, fell C$⅛ to C$17⅞ as the group again predicted lower fourth-quarter profits

Montreal was also lower across the board.

SOUTH AFRICA

SUBSTANTIAL gains were made among gold stocks in Johannesburg, and most sectors tended to move higher.

President Brand was again popular, adding 50 cents to R59. Vaal Reefs gained R6.50 to R229, and Buffels put on 50 cents to R83.75

Among industrials Dorbyl, a feature of the day's trading, moved 50 cents ahead to R8

EUROPE

Institutions return with a flourish

BUYERS RETURNED in force to European bourses yesterday enabling a number of records to be set.

Zurich had by far the best showing with a spirited return by institutions having sated themselves on a hearty diet of profit-taking earlier this week.

Wall Street's overnight record doubtless encouraged Swiss buyers to grasp the nettle and provided sustained support throughout the session. The Swiss Bank Industrial index rose 5.4 to a peak 539.90.

Banks and transport issues were particularly sought.

Bank Leu rose SFr 35 to SFr 4,180 while Union Bank firmed SFr 50 to SFr 4,920 following reports earlier this week that UBS had decided upon an expansion strategy for West Germany, namely through a bid for the German BHF Bank. Although neither bank has confirmed the reports, shares of both institutions continue to trade actively.

Swissair bearer and registered stocks gained SFr 25 and SFr 35 each to close at SFr 1,555 and SFr 1,275 respectively while the domestic carrier Crossair added SFr 5 to SFr 405.

Consumer-related issues were also busy, spurred on by lower interest rates. Restaurant to ice-cream chain Mövenpick added SFr 50 to SFr 5,125 while consumer electronics retailer Interdiscount managed a rise of SFr 20 to SFr 3,300.

Among international blue chips, diversified foods group Nestlé reversed the weakness displayed in previous sessions with strong gains in both bearer and registered stocks. The former rose SFr 50 to SFr 7,925 and the latter SFr 65 to SFr 4,490.

Brown Boveri erased some of the losses sustained earlier this week following its results and intentions over its West German subsidiary. The Swiss industrial picked up SFr 35 to SFr 1,800.

In Frankfurt, the bulls were grabbed by the horns as early strength was sapped and uncertainty crept into several recently buoyant sectors. The Commerzbank's mid-session index calculation of 1,746.8 – a rise of 20.6 – did not reflect the softer tone in the afternoon.

Some of the uncertainty was ascribed to the Deutsche Bank/Flick purchase and flotation which merited the bank a huge DM 42.80 rise in the previous session. Some concern over the possible implications of the deal trimmed it back DM 7.80 to DM 702.

Other banks eased in sympathy, with BHF, subject to possible advances from Switzerland, staging a dramatic fall of DM 40 to DM 488

Car makers were hit hard in roller-coaster trading, with VW proving the exception, largely due to its decision to work extra shifts to meet demand. Europe's largest car group rose DM 3.80 to DM 404.80.

Brown Boveri lost DM 4.50 to DM 295.50 despite optimistic profit forecasts while BASF, which expects world group data technology sales to soar this year, advanced 10 pfg to DM 264.30.

Degussa's forecast of stable precious metals prices was largely ignored, taking the refiner DM 3 down to DM 427.

Bourse turnover for November fell 13.7 per cent to DM 23.06bn compared with October. Share volume was down 21 per cent to DM 10.97bn, and bond turnover was off 5.4 per cent to DM 12.09bn.

Deutsche Bank was the most active share followed by VW, Siemens, BASF and Daimler.

The bond market turned easier yesterday with losses of up to 30 basis points. Trading was very thin. The Bundesbank purchased a small DM 3.1m of paper compared with Wednesday's sales of DM 7.1m.

Paris edged higher to a peak in active trading led by retailers and car makers while Milan inched ahead to a record despite sustained efforts of profit-takers. Cofide, the holding company of Mr Carlo de Benedetti, made a sparkling debut with a first-day quote of L4,400 compared with its par value of L1,000.

Amsterdam and Stockholm sprinted higher in active trading while Brussels finished mixed.